

The European Candidate :

Renato Ruggiero aims for the top job in world trade



Ismail Merchant: British film-making is killing itself



A market comes of ago

International equities head for a record year



Mysterious howers Mediobanca's tentacles in Italian politics

FINANCIAL TIMES

MONDAY JUNE 20 1994

Yeltsin seeks crackdown on growing crime

Europe's Business Newspaper

Russia's President Boris Yeltsin paid a symbolic visit to a crack paramilitary division outside Moscow at the weekend, in recognition that Russia's "mafia" is terrorising business and citizens. Coinciding with several bomb blasts in the capital, the Russian leader last week issued instructions giving the security forces unprecedented powers for the crackdown.

Condemned by the parliament and liberal media, the new powers include the right to detain suspects for up to 30 days without charge, to search without a warrant premises and examine bank accounts of any companies, and to use in court evidence gathered by undercover methods such as phone-tapping and infiltration of criminal gangs. Page 3; Russia's second wave of sell-off, Page 3; Editorial Comment Page 17

Paris shrugs off Rwanda threat: France is seeking United Nations approval today or tomorrow for its plan to send forces to the Rwandan border in a humanitarian mission. Rwandan rebels warned that they would regard French intervention as hostile. Page 5

Pressure to increase N Ireland security: The UK government was under pressure to step up security in Northern Ireland after Loyalist gunnen shot dead six Catholics in a bar as they watched the Republic of Ireland's opening World Cup soccer match on television. Page 18

German SPD still split over candidate: Deep divisions re-emerged in Germany's opposition Social Democratic party at the weekend, days before a conference to endorse its leader, Rudolf Scharping, as the candidate to fight Chancellor Helmut Kohl in October's general election. Page 2

nish economic policies to stay: Spain will keep its current economic policies, despite the defeat suffered by the ruling Socialist party in last week's European elections, according to economy minister Pedro Solbes. Page 2

Japan opposition parties unite: Japan's two main opposition parties, the Liberal Democratic and Social Democratic parties, have joined forces to step up pressure on the fragile eight-week old minority government. Page 4; Nuclear arms

admission stirs Tokyo row, Page 4 European Monetary System: The order of currencies in the EMS grid was unchanged in spite of an unexpectedly strong European election performance by Germany's governing centreright coalition. However, in a week in which currencies played second fiddle to the bond markets, the spread between the weakest and strongest currencies narrowed. Currencies, Page 31

irish Pen B.Franc D-Mark F.Franc D.Krone Escurio

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the curren-cies are permitted to fluctuate within 15 per cent of agreed central rates against the other member of the mechanism. The exceptions are the D-Mark and the guilder, which move in a 2.25 per cent

SBC sacks six: Swiss Bank Corporation has sacked three foreign exchange dealers and three supervisors from its Zurich trading centre for unauthorised trades that could cost the bank up to SFr100m (\$70m). Page 19

Cott warns of cola counter-attack: Cott Corporation, the fast-growing Canadian maker of private-label soft drinks, has cautioned that a fight-back by Coca-Cola and PepsiCo may damp its earnings growth this year. Page 19

tagnet damages could hit £1bn: Advisers and bankers to the ill-fated management buy-out of Magnet, the UK fitted kitchens retailer, face potential damages of up to £1bn (\$1.5bn), those involved in the litigation said. In 1989 Magnet represented the largest MBO ever and the first involving "mezzanine" finance. Page 19

China moves on human rights lawyers: China will allow more foreign law firms to open offices, but those involved in democracy or human rights are not welcome, the Justice Ministry said. China warms to Hong Kong task, Page 5

Death-call for Bangladeshi feminist: Thousands of Islamic religious students marched in Dhaka to call for the death of Bangladeshi feminist Taslima Nasrin. She is hiding after publication of an interview in which she allegedly said the Koran should be "revised thoroughly", prompting the government to order her arrest.

Europe's construction output up: A fragile recovery has begun in western European construction markets but output is unlikely to approach previous high levels, according to forecasts from 15 countries. Page 2

Socialists back EU membership: Socialist parties in Norway and Sweden recommended voters to back membership of the European Union. Norway's Labour Party polled 197-93 in favour, while Sweden's Social Democratic opposition, voted 232-103 after an intense debate.

S.Ambia Singaptre Storak Rip South Africa Spain Sweden Switz Syrie Turnesi	MDh15 F7 4.00 Naira50 NK/17.00 CR1.50 Rs/40	Malita Marocco Neifa Nigeria Norway Optan Palastan Philippinis	F1185 RG215 Re60 Shk6.90 L3000 V500	incks israel italy Japan Jordan	On1,250 85-65 Lw25.00 CC1.10 CC1X50 Div16 EC5.00	Austria Bahaza Belgium Bulgara Cypaus Casch Rp Denteuri Egypt Finland France

French Socialists in confusion as Rocard quits

by John Ridding in Paris

Mr Michel Rocard resigned as head of the French Socialist party yesterday after his defeat in a vote of confidence among the party's leadership, throwing into confusion the party's plans for next year's presidential elections.

The resignation will heighten speculation that Mr Jacques Delors, the French president of the European Commission, may be tempted to enter the presiden-

Mr Delors had made clear that

ard. The resignation thus meets one of Mr Delors' preconditions entering the race, although his appetite for politics was diminished by the bruising expe-rience of winning approval for the Maastricht Treaty.
Mr Rocard is the latest casualty of the continental European

left's dismal showing in the recent elections for the European parliament. The French socialists won just 14.5 per cent of the vote, its worst result in a national poll for more than 20 years. Mr Achille Occhetto resigned

Democratic party of the Left. Ominously deep divisions have re-emerged in Germany's opposition Social Democratic party, only three days before a critical party conference called to endorse its leader, Mr Rudolf Scharping, as the candidate to fight Chancellor Helmut Kohl in

next October's general election.

Mr Rocard called for the vote of confidence after criticism of his leadership and the party's showing in the European elections. He won 88 votes for his proposals to revitalise the party. There were 129 votes against and 48 abstentions in the party's national leadership council.

Party officials said no decision

had been taken on his replacement, and indicated that a provisional leadership might be appointed. On Saturday, however, Mr Laurent Fabius, the former Socialist prime minister and a rival of Mr Rocard, said Mr ecques Delors, the President of the European Commission, was the person "best placed" to lead the Socialists in next year's presi-

dential election. Mr Fabius said the choice of a candidate for the presidential

elections should be left until the beginning of next year, coinci-ding neatly with Mr Delors' scheduled date of departure from the Commission's presidency. Mr Jack Lang, former culture

minister, has also been suggested as a possible Socialist leader. Mr Rocard told the national council: "Uncertain political and strategic positions, confirmed isolation, and absurd means of operation, are our three main failures which require radical change."

Mr Rocard took over as general secretary of the party in October last year.

He rose to the party leadership after the Socialists' general election defeat last March at the hands of the centre-right RPR-UDF ruling coalition.

After the setback in the European elections he had proposed a new party platform and a renovation of the party machinery.

Many party members blame Mr Rocard for failing to capitalise on the problems facing prime minis-ter Edouard Balladur's RPR-UDF coalition government

Rocard gambles and loses.

S Korean ministers prepare for first summit with North

By John Burton in Secul and Leyla Boulton in Moscow

South Korean government ministers will meet today to discuss preparations for a possible summit meeting between the leaders of North and South Korea, the first since the peninsula was divided in 1945.

The summit could be the first test of whether former US president Mr Jimmy Carter has succeeded in defusing tensions over North Korea's nuclear arms plans following his private mission last week to Pyongyang. Mr Carter briefed President Clinton's foreign policy aides yes-

terday on an offer by North Korean President Kim Il-sung to meet South Korean President Kim Young-sam. The offer, made without pre-conditions, was immediately accepted by the

"I personally believe the crisis is over," Mr Carter said. "The next step is to assure that the

Kohl set

as Delors'

By Lionel Barber in Brussels

to veto

between me and Kim [11-sung] are carried out.'

Assistant US secretary of state Mr Robert Galluci told reporters at the White House that Mr Carter may have "brought back something from which we can build" to defuse the tension which has built up over the past three months.

Meanwhile, Mr Andrei Kozyrev, the Russian foreign minister, claimed that North Korea did not yet have a nuclear bomb. He quoted "experts" as saying it would take the former Soviet ally three to seven years to develop one.

While reiterating criticism of the US for failing to consult Moscow on proposals for phased sanctions of increasing severity against Pyongyang, Mr Kozyrey said there was no point in rushwith them because they would be vetoed by China in the UN Security Council.

The media in South Korea yesterday suggested the summit

The World Bank will report today

that \$200bn a year of donor

nations' infrastructure invest-

ments in the developing world have brought the benefits of

water, electricity and transport

overwhelmingly to wealthier households and bypassed the

"In developing countries, the

poor use kerosene or candles

rather than electricity for light-

ing, they rely on private vendors or public standpipes rather than

in-house connections for water

supply, and they are infrequently served by sewerage systems," the bank notes in its annual world

In Ivory Coast, the bank found

that among the richest 20 per

cent of the population, 62 per cent had access to public water

supplies, 57 per cent to sewers

and 75 per cent to electricity.

development report.

Pyongyang. South Korea wants the summit agenda to include implementation of the North-South Korean 1991 denuclearisation treaty, the reunification of divided families and the establishment of business ties between the two countries.

The South Korean president offered to meet his Northern counterpart last year, but backed away from the proposal as the nuclear dispute deepened. His sudden acceptance of the summit offer from Pyongyang suggests that Seoul is worried that Mr Carter's mission could pave the way for direct talks between US and North Korea, which could leave South Korea as a subordinate party in resolving the nuclear issue.

However some US and South Korean officials, expressed caution about the summit, explain ing that Pyongyang might use it to split Seoul and Washington.

Details Page

Donor aid worth \$200bn bypasses **Dutch PM** poor, report finds

successor

A stand-off between Germany and the Netherlands is holding up efforts to break the deadlock over the successor to Mr Jacques Delors as president of the European Commission ahead of this week's European Union summit

in Corfu. German Chancellor Helmut Kohl remains opposed to Mr Ruud Lubbers, Dutch prime minister, and is actively canvassing support for Mr Jean-Luc Dehaene, the Belgian prime minister, who formally announced

his candidacy on Friday.

The implicit threat of a German veto at the Corfu summit has irritated the Dutch government. Mr Lubbers has sought to call Mr Kohl's bluff by offering to pull out of the race, but only if Mr Kohl takes public responsibil-

ity for blocking his candidacy, according to senior diplomats in Efforts to reach a compromise could turn on a meeting of Christian Democrat leaders on Wednesday in Brussels, two days

before the opening of the Corfu summit, Mr Kohl, Mr Lubbers and Mr Dehaene are to attend. Belgian officials believe that Mr Dehaene can count on as many as eight EU member states to support his candidacy. Italy, the Netherlands, Portugal, and

> Continued on Page 18 Nordic parties swing behind European Union, Page 3

ciency, maintenance and cost recovery have been too often

neglected." he says. The bank found that infrastructure subsidies in Bangladesh were six times as large to the rich as to the poor.

Even though the poor usually

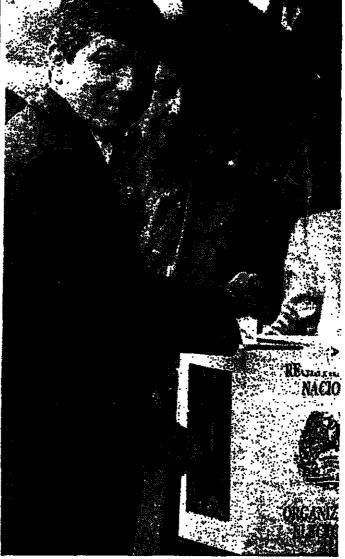
consume water and use sanitation more than they do electricity or telephone services, the bank found that the richest 20 per cent received 1.3 times as much sub sidy for water and sewer services as the poor in Costa Rica, 1.5 times as much in Chile and 2.8 times as much in the Dominican Republic.

The report recommends restructuring subsidies so that they reach the poor more effectively: increasing block tariffs. for example, where a particularly low "lifeline" rate is charged for the first part of consumption, perhaps 25 to 50 litres a person a day in water supply, and higher rates for additional blocks.

"This block tariff links price to volume and it is more efficient at reaching the poor," the report

An even more useful approach can be to subsidise access to infrastructure, rather than its price. Heavy initial connection charges are particularly burdensome to the poorest sections of the population, and countries such as Colombia have success fully targeted poorer households with subsidised connection charges for water mains.

Report attacks inefficiency Privatising the world, Page 22



President Cesar Gaviria - barred by the constitution from seeking re-election - was one of the first to vote yesterday in the final round of Colombia's presidential elections after a dead heat in the first round. Opinion polls put Liberals and Conservatives need to the first round. Polling was subdued after Colombia's defeat by Romania in the World Cup on Saturday night. Report, Page 5

Berlusconi heads for clash with banker on sell-off

By Robert Peston

A battle is threatening between Mr Silvio Berlusconi, the Italian premier, and Mr Enrico Cuccia the country's most powerful banker, over the ownership of Stet, the telecommunications monopoly, after it is privatised in

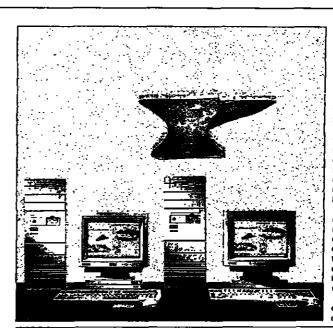
Mr Cuccia, honorary chairman of Mediobanca, the Milanese merchant bank, wants to form a syndicate of shareholders in conjunction with Pirelli, the tyres group, to effectively take control of Stet after the state's 53 per cent hold-

Mr Berlusconi is under pressure from other members of his government to block Mr Cuccia and ensure that Stet is sold to the widest possible range of private shareholders and investment

institutions. However, research by the Berlusconi faces a conflict of interest in deciding whether to do battle with Mediobanca because Mr Cuccia is in a position of great importance in the restructuring of Fininvest, Mr Berlusconi's business empire. Mediobanca has considerable influence through cross-shareholdings over three of Fininvest's

Continued on Page 18 An intricate web of influence,

five biggest bank creditors -



try it. Because Novell already have - several imes a day, in front of thousands of people attending a major networking exhibition Dropped several tons of metal onto an Elonex PC SFT III server, that is.

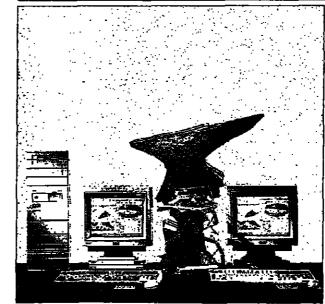
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Technology you can Trust



Among the poorest 20 per cent, only 2 per cent had access to public water, 3 per cent to sewers and 13 per cent to electricity. Mr Lewis Preston, World Bank president, says that 1bn people in the developing world have no access to clean water and 2bn no

access to electricity. Infrastructure investments have often failed to provide needed services, he says, and the emphasis must now move from building more power plants and waterpipes to making sure that existing infrastructure is properly maintained and efficiently operated.

"Basic issues such as effi-

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Guide to the Week

LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

Rocard gambles and loses

By Dayld Buchan in Brussels and John Ridding in Paris

Mr Michel Rocard and, to some

extent, logic lost yesterday. He gambled that, however controversial his year of leadership of France's Socialist party and however sore the party felt over its poor showing in last week's Euro-elections, it would not topple him until it had coalesced behind an alternative leader.

But a majority of the 300 members of the party's national council threw caution to the wind, voting him out. His proposals to rejuvenate

the party's National Executive to include possible rivals such as Mr Jack Lang, the former education minister, and popular younger figures like Mrs Elizabeth Guigou and Mrs Mar-tine Aubry (the latter having the extra merit of being European Commission president Jacques Delors' daughter) and his plan to eliminate the courants, or clans that compose the party, evidently seemed to most to be treating the symptoms of the party's malaise but

not its cause. Equally important was the failure of Mr Rocard to appeal to the young voters and his failure to capitalise on the problems facing the RPR-UDF coalition headed by prime minister Edouard Balladur, "We have unemployment of 123 per cent, the highest level in living memory," said one party mem-ber. "We should be winning

more support."
So, unless the party can rally quickly round a successor, it may fall to in-fighting.

Originally the democratic hallmark of the Socialist party, the courants have frequently been the bane of the party and aying the choice of a new leader until a party conference in early autumn would give these factions free rein.

The factions and the decline in popularity of the traditional left are not amenable to a rapid resolution. The threat of the factions was clear even when Mr Rocard was elected general secretary in October last year. At the party congress which voted him into office, there were more than 100 blank ballots and 51 abstentions.

The only possible unifier would be Mr Delors, who last held office in France as a Socialist finance minister in the early 1980s. The entreaties coming from Paris for him to leave Brussels before the end of his term in December are

now fast multiplying. He appeals to the remaining supporters of Mr Rocard, because the two men share the same brand of Social Democratic pragmatism. He has had a complicated relationship with President François Mitterrand who did not initially pro-

and would defeat other conser-

There is however the question of whether after 10 tiring years in Brussels Mr Delors

would want seven more in the

Rivsees. If he succumbed to the

entreaties of a desperate party,

he would be in a strong posi-

which he would carry its col-

ours. One of these terms is

likely to be that if elected he

would only serve a single five-

year term. That would involve

a constitutional change from

the present seven-year term.

but the change after 14 years of

Mitterrandism might prove

vative candidates.

pose him for the Commission presidency, but the two men have made up their differences and there has never been any secret of the president's preference for Mr Delors over Mr the world market. Nor is there a generational

problem. Two years ago a group of Socialists in their 40s set up a political fan club in France to promote the cause and ideas of the 67-year-old Commission president. Nor is there any question that Mr estimates. Delors is "presidential", in the sense that he has more or less Documents related to cotton

incarnated Europe, not just France, over the past decade. Current opinion polls show he would lose a presidential election to Mr Balladur by several points, but he would run Mr Jacques Chirac very close

two-year inquiry into allega-tions of widespread fraud involving subsidies to Greek cotton, one of the country's

most important products. The extent of the action against Greece will be an important test of the EC's recent tough talk about cracking down on fraud and other irregularities, which are believed to account for about 10 per cent of total EU spend-

reece faces the possi-ble withholding of its

subsidy for cotton production amounting to about Ecu500m

(\$580m) in a highly embarrass-

ing development before this

European Commission offi-

cials are considering the sanc-

tion in the closing stages of a

week's EU summit in Corfu.

entire European Union

ing.
Mr Andreas Papastavrou, a leading cotton farmer and president of the Federation of Farm Co-operatives in Levadia, central Greece, says there have been "complications" involving the flow of EU subsidies to the local cotton industry. Levadia, a bustling town of

20,000 people, has many bars, nightclubs and shops. The signs of prosperity are linked to the high level of cotton subsidies since the 1980s, which compensate farmers for the relatively low price of cotton on On average, each of the 7,000

cotton farmers in the area around Levadia have received about Ecu5,000 a year in EU subsidies over the past few years - in many cases amounting to more than half their overall incomes, according to

production around Levadia have been particularly carefully scrutinised in the EU's inquiry, which has centred on nine cotton processing plants or gins - of which seven are in

1991-92 cotton farmers in Greece as a whole inflated such as "double weighing" the their production figures by 10 per cent, gaining about Ecu50m in subsidies to which same bale of cotton. Another theory is that farm-

ers have regularly inflated they were not entitled. their figures for the area The gins are central to the planted with cotton, aided by lax checking procedures by the inquiry because these plants of which there are about 70 cotton board. This has often throughout Greece - act as colgiven the impression that lection points for cotton. It is farms have produced more cotseparated into fibres used in the textile industry, seeds used for oil and the vegetation ton than is the case. According to one gin owner which is thrown away.

involved with the inquiry, up to 10,000 cotton farmers may On grounds of administrahave been involved with fraud tive ease, the gins receive the EU subsidies before channelor other irregularities over the past few years. The Greek Cotling them to farmers. Investiton Board, the organisation which administers the EU paygators believe some gins have collaborated with growers to ments, is said by EU investigafalsify the amounts of cotton produced, either by entering

incorrect weights into produc- "inadequate" system for checktion records or by expedients ing that documentation related to cotton production was filled in correctly

Greece faces loss of EU cotton subsidies

nder special scrutiny have been managers of nine gins, seven of them in the Levadia area, 505pected by the cotton board of having made false claims. In some cases, the board has imposed fines but none of the fines has been paid.

Mr Stathis Angeloussis, who owns two cotton gins in Levadia, was one of those named by the board but says the fraud allegations are "a pack of lies". He adds: "The fines were imposed without a proper investigation. The cotton board

backed by a judicial decision." According to Mr Papastav-

rou, the cotton farmer, some irregularities have taken place but many of these have concerned the technicalities of adjusting records of cotton production for the level of moisture and impurities which affects the subsidy. He is not surprised that so

far no one has paid fines for any wrongdoing - in spite of the involvement in the inquiry of public prosecutors in Athens and other regional centres. "In Greece judicial investigations can go on for 19 years. That is the nature of the place." Mr Markos Tsambos, a cot-

As many as 10,000 farmers are suspected of fraud, report Peter Marsh and Kerin Hope came up with what suited ton board official in Levadla them. The process was quite who has his own cotton farm, illegal because it wasn't said: "You can't rule out criminal activities. If you have a criminal disposition then it [false accounting] may have taken place."

Sparking the EC's investiga-tion, which has also involved officials at the Greek cotton board and the Court of Auditors, the EC's Luxembourg-based financial watchdog, was that the board's declared production of 719,449 tonnes for 1991-82 was nearly 15 per cent higher than its initial estimate before harvesting.

That alerted investigators to the idea that widespread fraud might have taken place to take maximum advantage of the subsidies - which during 1991 climbed by about 50 per cent the to a sharp fall in the world cotton price. Over the past year, the subsidy has failen slightly and has accounted for between 50 and 80 per cent of the price paid to farmers for their cotton.

The amount of cotton grown in Greece has increased to nearly 1m tonnes last year, according to the cotton board. A big factor behind this has been the attractive subsidies which make the life of a cotton farmer relatively prosperous and keep cotton among Greece's most important agri-cultural products along with tobacco and fruit.

However, many in the Greek cotton industry feer that, what-ever the result of the EC inquiry, the subsidies are likely to fall following calls worldwide for less government support for agriculture and the specific proposals related to farm aid in the latest round of the Gatt trade negotiations.

Mr Athanasios Kostoyannos, who farms in the village of Exarchos near Levadia, said: "We've done nothing fraudulent. Life as a cotton farmer is hard and without the subsidy it would be impossible."



It has been alleged that in Levadia cotton farmers Markos Tsambos (left) and Andreas Papastavrou: "Life is hard on the farms"

Candidate Scharping fails to unite SPD behind him

Deep divisions re-emerged in Mr Scharping. cratic party (SPD) at the weekend, only three days before a critical party conference to endorse its leader, Mr Rudolf Scharping, as the candidate to fight Chancelor Helmut Kobl in next October's general election.

Scarcely-veiled criticism of Mr Scharping's leadership, and the party's election strategy, was voiced by ading figures in the SPD.

And a formal proposal will be put to the party conference in Halle on Wednesday to back an SPD-Green alli-

party tactics came from Mr Gerbard Schröder, the SPD state premier in Lower Saxony and the man defeated by Mr Scharping last year for the party leadership.
In an interview with Der Spiegel

magazine, Mr Schröder accused the party of relying too heavily on the theme of law-and-order, and concentrating too much on the personality of the party leader at the expense of his team, in its campaign strategy. He insisted that he was not calling

ance in the October election, flatly for any change in leadership so close Scharping to decide whether he right of the party as electoral suicide, contradicting the strategy adopted by to the general election. It would be wanted to seek a red-green coalition, because it would enable Mr Kohl and the stupidest thing the SPD could do as the party left is urging, or keep his the CDU to label the SPD with the now, to have a debate about personal continue ones for a revivel of the cook. ities." he said.

Yet he made it clear that much of the Scharping strategy, seeking to win the political centre ground by opting for a tough line on crime prevention, and to distance itself from any identification with the radical Greens, was wrong.

"We cannot compete with the CDU with law-and-order slogans, and, thank God, we can certainly not win," Mr Schröder said.

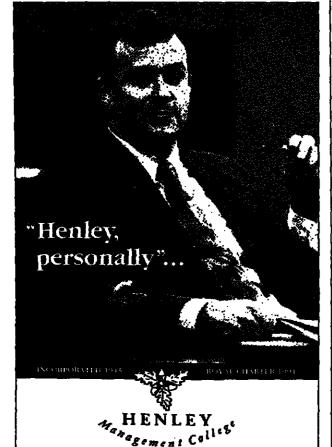
tion with the liberal Free Democratic party which ruled Germany under Mr Willy Brandt and Mr Helmut Schmidt

That issue seems certain to become a bone of contention at the party conference. The South Hesse branch of the SPD, the second strongest provincial branch after North Rhine-Westphalia, agreed at the weekend formally to propose a red-green coalition. Such a strategy is seen by Mr Scharping and his advisers on the

- including withdrawal from Nato and abolition of the German army.

The party leader now needs to reassert his authority, and sweep away the growing doubts within the party about his capacity to defeat Mr Kohl in October.

The danger he faces is a secret bal-lot on Wednesday to endorse his candidacy for the chancellorship, which could see a significant minority vote against him or at least a number of



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BUILDING PEOPLE - BUILDING BUSINESS

Madrid acts to reassure business over economy

Soain will not deciste from its current economic policies, despite the defeat suffered by the ruling Socialist party in last week's European elections, according to economy minister Pedro Solbes. He told an audience of busi-

nessmen in Catalonia at the weekend that this would mean tight national budgets for the next three years. Cutting the public sector deficit was essential to enable the country to grow and create jobs on a perment basis, he said. His comments, aimed at

reassuring business in an insettled political climate, followed pressure from hardline sectors of the Socialist party to move towards the left and seek a rapprochement with the Communist-led United Left

party. The Socialists need United Left support to continue running the regional government in Andalucia. where they suffered heavy setbacks in elections last week.

The government has at the same time been pressed by leaders of the conservative Popular party to respond to the verdict of voters in the European ballot. Mr Rodrigo Rato, the PP's parliamentary man, said in an interview published yesterday that Spain needed tougher budget cuts and lower social costs to

However, Mr Solbes, appointed last year as a nonparty independent in the Socialist administration, said the government would "swerve neither to the right not to the left". Any rapprochement with

the government's current pact with the Catalan nationalist party Convergencia i Unión, whose 17 deputies provide the Socialists with just enough support for a working majority in parliament.

Mr Jordi Pujol, the CiU leader and Catalan regional president, reaffirmed his readiness to keep supporting the government in a meeting on Thursday night with Mr Felipe González, the prime minister. However, he made clear this was pegged to specific economic and regional policies. Both the CiU and the Rasque Nationalist Party have discouraged the government from seeking their explicit backing in a confidence motion in parliament. Spanish Banking and Finance Survey, separate section

Natural gas expected to double share of market

Natural gas is forecast to more than double its share of the electricity generating market in western Europe to 20 per cent in the next 15 years at the expense of coal, oil and nuclear

The International Union of Electricity Producers and Distributors (Unipede) forecasts that gas growth and increased efficiency in power production should led to a 15 per cent fall in carbon dioxide emissions per unit of electricity between 1990 and 2010.

Demand is also likely to grow more slowly as fuel efficiency measures take effect Unipede puts the annual rise at 1.8 per cent between 1990 and 2010, against 3.4 per cent in the previous two decades. Growth will be considerably

Europe than in the north. Unipede's forecasts are published today as more than 1.000 mainly European delegates meet in Birmingham, England,

for the union's week-long trien-

nial conference. The growing use of natural gas has been prompted by economic and environmental considerations. In most countries power stations fired by com-bined cycle gas turbine tech-nology produce cheaper elec-tricity than new plants using coal and nuclear power energy.

Unipede forecasts that nuclear power's share of the market will fall from 34 to 31 per cent between 1990 and 2010. Coal is predicted to suffer the biggest decline, from 37 to 29 per cent, and oil to drop from 10 to 6 per cent. Gas is expected to rise from 7 to 20 per

more marked in southern cent. Electricity demand is expected to grow by 43 per cent during the two deca

Within the overall increase the share of domestic and agricultural sectors is expected to remain at about 25 per cent and 2 per cent respectively. The share of demand from services is expected to rise from 22 to 26 per cent but industrial consumption is forecast to fall from 44 to 40 per cent.

Although there is currently a surplus of electricity generation in western Europe, Uni-pede expects the total to grow by about a fifth from the current 500 gigawatts. Mr David Jefferies, Unipede

congress president and chairman of the UK's National Grid, said yesterday trade of electricity between countries was likely to grow rapidly as links between various transmission ystems were strengthened and

deregulation of energy markets gathered momentum. Electricity in Europe Survey, separate section

Construction output rising in Europe particular benefit from lower PERCENTAGE CHANGE OF TOTAL CONSTRUCTION 11 per cent higher next year than at the beginning of the Construction Correspon

By Andrew Taylor,

A modest and fragile recovery has begun in western European construction markets but output is unlikely to approach previous high levels, according to forecasts from 15 countries.

Euro-Construct, a federation of European Construction Research Agencies and Economic Forecasting bodies say that output in the region is likely to fall by just 0.1 per cent this year before rising by

1.9 per cent next year.* It will be the first overall rise renorted since 1990, although individual countries such as Germany have increased construction output during the

The value of western European construction output next year, forecast at Ecu657.5bn (\$763bn) would still be almost 3 per cent lower than 1990 output. Output in West Germany by comparison is forecast to be interest rates.

decade. The growth in eastern German construction activity, since the country was unified, is even more striking and is forecast by Euro-Construct to increase by a further 16 per cent this year and by 12.5 per cent next year.

The boom in activity is being led by construction and renovation of flats and houses and is forecast to rise by almost a third in eastern Germany this year and a further fifth in 1995. Residential construction in western Germany is forecast to rise by 7.6 per cent over the next two years as the region seeks to house large numbers of immigrants, mostly from eastern Europe.

Other European countries.

which saw a sharp fall in con-

struction activity in the early

1990s, are expected to enjoy a

small recovery over the next 18

months as housing markets in

Governments in France, Germany, Denmark, Finland, Portugal and Switzerland have

raised subsidies or introduced tax or other measures to encourage building and renovation of homes, which generates large numbers of jobs as well as improving the housing stock, says Euro-Construct. Sweden, conversely, is seek-

ing to reduce the high cost of its housing subsidies. Residential construction, down 29.9 per cent last year, is forecast to fall a further 59.3 per cent this year and 6 per cent in 1995. High unemployment will

also put a brake on the pace of housing recovery, with 17.4m people estimated to be still out of work in the 15 countries. Euro-Construct expects construction output to rise as economies recover with housing and repair, maintenance and improvement work the early beneficiaries.

OUTPUT IN WEST EUROPEAN COUNTRIES

Country	1991	1991	1992	1993	1994/95
Austria	4.4	5.2	1,7	2.4	2.5
Beigium.	3.0	4.8	-4.0	1.5	2.3 3.5 2.3 -7 2.1
Denmark	-9,1	-0.8	-4.8	5.5	2.5
Finland	-14	-17	-16	-3	
France	0.3	-3	-6	-1,3	2.1
Germany**	_	_	3.1	4.0	4.0
tretand	-2	0.2	0.1	6.9	8.0
Italy	1.6	0.8	-5.7	-20	1.0
Norway	4.8	r/c	-3.1	3.2	3.0
Portugal	4.5	2.5	n/c	1.0	6.5
Spain	4.0	-6.0	-8.1	1.0	1.5
Sweden	-3.3	-6.7	-9.5	-8.0	0.4
Switzerland	-5.6	-2.3	-4.6	-0.1	2.5
Netherlands	-2.0	3.0	-4.0	n/c	2.0
United Kingdom	-5.9	-3.7	-1.9	0.5	1.5
Total	n/c	-0.3	-4,1	-0.1	1.5

Public spending however is 25 per cent next year as the likely to remain under preslarge amounts of empty office sure. Private non-residential space start to be occupied. construction output, of offices, *European Construction Trends shops, factories and ware-1994-95; from Construction Forehouses, is forecast to fall by a casting and Research, Princes House, 39 Kingsway, London further 8 per cent this year across the region but rise by WC2B 6TP; £390.

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Insider dealing law approved by Bundestag

heavy fines under the terms of a new law voted through the Bundestag, the lower house of the German parliament.

The second financial markets promotion act, passed on Friday, will also introduce a new regulatory body for the German securities industry - the German equivalent of the Securities and Exchange Commission in the US-and will allow banks to introduce money market funds, a form of short-term investment vehicle hitherto outlawed in Germany. The law, which in part implements European Union legislation, is a plank of government policy to strengthen Germany as a financial centre and is due to take effect at the beginning of August. The initiative for the law came from Mr Theo Waigel, finance minister, who outlined plans for the legislation in the strength of the legislation in the strength of the strength of the legislation in the strength of tion in early 1992.

The law is designed to bring the regulatory regime for German securities markets up to international standards after controversial cases in Frankfurt highlighted weaknesses. The German authorities are especially worried that the absence of a law against insider dealing has diverted business away from

the German stock exchanges to London.

Other measures include stringent disclosure requirements for companies listed on the stock market. They will be subject to fines of up to DM3m (£1.2m) if they delay releasing price-sensitive information to the stock market and will be obliged to release details of grice built in the stock market and will be obliged. to release details of stake-building in other companies when the stake reaches 5 per cent compared with the present 20 to 25 per cent disclosure threshold. David Waller, Frankfurt.

Danes seek Maastricht amendment The Danish Social Democratic party, trying to restore its fortunes after a poor performance in last week's European Parliament elections, is seeking an amendment to the Maastricht treaty to ensure that environmental safety takes prece-

dence over European free trade in goods.

The SDP is Denmark's largest party, with 69 seats in the 179-seat Folketing (parliament), and it dominates the centreleft coalition government. Mr Ove Fich, a former Euro-MP and the party's parliamentary spokesman on European affairs, said the party intended to make the environmental issue the main plank in the Danish position at the 1996 inter-govern-mental conference at which the future shape of Europe would be discussed. "It must be affirmed by treaty that consumer interests, the environment and the work environment take

precedence over free trade," said Mr Fich. The SDP suffered a humiliating defeat in the European Parliament election. falling to 15.8 per cent of the vote against 23.3 per cent in 1989 and the 37 per cent which it won in the last Folketing election. The anti-European groups, the People's Movement Agains, the EU and the June Movement, took votes from the SDP and rose from 18.9 per cent in 1989 to 25.5 per cent of the vote Hilary Barnes, Copenhagen

Trawlers leave disputed waters

hehindh

Seven lcelandic trawlers yesterday decided to leave disputed fishing waters after the Norwegian coast guard crippled several nets in a mini "cod war" between the two countries. A coastguard vessel yesterday cut one of the wires of the Mar trawler near Svalbard, where Norway has sovereignty under a 1920 treaty, forcing it to stop fishing. The Norwegians cut one of the trans weres of another icelandic trawler on Saturday and on Tuesday sabotaged the nets of four icelandic vessels and fired a warning shot at a fifth in the same area.

keland's government has called the actions illegal, threaten ing to take Norway to court unless the row is settled by talks, has said it will not escalate the conflict by sending its navy to protect its fishermen. A plunge in fish stocks around Iceland has forced its fishermen to seek more distant fishing grounds. Exports of fisheries products account for about 80 per cent of Iceland's export earnings. Reuter, Oslo

Bomb explodes at Turkish rally

Five Turks were wounded yesterday when a bomb exploded in an Istanbul square shortly before the start of a social democrat rally. The explosion occurred in Fatih district as Mr. Bulent Ecevit, leader of the Democratic Left party and a former prime minister, was due to address thousands of people gathered for a local election campaign. No group has claimed responsibility for the bomb attack. Mr Ecevit, a leading antifundamentalist figure in Turkey, has recently stepped up riticism of radical Islamist movements. Reuter, Ankara

Countries plan Aids summit

Health ministers and officials from industrialised nations pledged at the weekend to assist developing nations in their fight against the spread of Aids but fell short of a specific commitment of funds.

Representatives from about 40 countries attending a two-day conference in Paris agreed, however, to take part in a summit of heads of state and government aimed at curbing the spread of Aids. The summit is scheduled for December.

In a joint statement participating nations emphasised the need for a combined effort by rich and poor nations. Political leaders must ensure, they said, that "no continent, no country or population group is marginalised or stigmatised". Mr Hiroshi Nakajima, director of the World Health Organisation urged governments to make a concrete commitment to tackle the spread of Aids. John Ridding, Paris

Yeltsin seeks crackdown on crime

Russia's 'mafia' is terrorising business and ordinary citizens, writes Leyla Boulton



military division outside Moscow at the weekend.

Coinciding with a string of bomb blasts in the capital, the Russian leader last week issued a barrage of instructions giving the security forces unprecedented powers for a law-and-order crackdown.

Condemned as unconstitutional by the parliament and liberal media, these new powers include the right to detain suspects for up to 30 days without charge, to search without a warrant the premises and examine bank accounts of any companies and to use in court evidence gathered by undercover methods such as phone-tapping and infiltration

of criminal gangs. On Saturday, Mr Yeltsin told the regiment named after Felix Dzerzhinsky, the hated founder of the Soviet secret police: "I am counting on your willpower, honour and courage. Preserve and multiply what has always distinguished the forces of law and order - constant vigilance, military-readiness, and strong military disci-

Russia's so-called "mafia" - a term used to describe anything from organised crime bosses to

ussia's President Boris lent criminals – is terrorising or at least to scale down their Yeltsin paid a symbolic both the business community prison terms."

Izvestia went on to warn that and ordinary citizens.
A successful crackdown on

Russian society's number one scourge would yield priceless political benefits for Mr Yeltsin, whose unpopularity is at an all-time low.

In a front page editorial, Izvestia recognised an over-whelming public desire for law and order when its commentator wrote: "I am sure that the decree would have received an even warmer response had it provided for summary executions on the spot, without trial or investigation."

But the criminals' close links to corrupt officials and police are the strongest reason to doubt that this crackdown will yield its intended results.

Mr Vladimir Tsekhanov, a senior official of the Federal Counter-Intelligence Service, recently provided a telling illustration of the scale of corruption within the security

He claimed that Russia's equivalent of the FBI had "uncovered a wide criminal group" including Interior Ministry officials and Moscow rolling officers, "who trook large." police officers "who took large bribes to release Moscow mobsters under investigation on charges of robbery, smuggling,

the security organs' repressive traditions, inherited from the Communist-era police-state, could easily backfire against the healthy businesses Mr Yeltsin says he wants to pro-

From now on, a law-enforce-ment official may uncover a commercial secret, disrupt the privacy of investment, inviolability of banking and financial documents... Can anyone guarantee that interference in a business will be dictated by the fight egainet crime or a the fight against crime or a bribe given by competitors?" Under pressure from Mr Yeltsin's initiative, parliament

Yeltsin's initiative, parliament on Friday tried to speed up its own discussion of a separate law on fighting crime. It failed not only to adopt this law, but even to agree a resolution demanding that President Yeltsin rescind his decree's unconstitutional provisions. It settled instead on sending its best wishes to the Russian soccer team as the World Cup opened

in the US. Waging war against crime in these circumstances will require not just political will at the highest level – which Mr Yeltsin appears to be displaying - but utmost caution in its

Nordic parties swing behind EU

support is central to efforts to overcome strong opposition to European Union membership in the Nordic applicant countries have swung behind the campaign for a Yes vote in ref-erendums to be held in the autumn in Finland, Norway and Sweden, writes Hugh Carnegy in Stockholm. Yesterday special congresses

of Norway's ruling Labour party and Sweden's opposition Social Democratic party – both the biggest political parties in voted by wide margins to sup-port membership. On Satur-day, the Finnish Centre Party, led by Prime Minister Esko Aho, decided by 1,607 votes to 834 to back a pro-EU line despite considerable scepticism among its grassroots rural supporters.

The Labour party in Nor-way, skilfully led to a pro-EU stance against the current of national opinion over the past two years by Prime Minister Gro Harlem Brundtland, voted to support membership by 197 votes to 93. Similarly, the Swedish Social Democrats decided by a margin of 232-103 to join the Yes campaign.

Second wave of sell-offs due next month

By John Lloyd in Moscow

Preparations are under way for Russia's second massive priva-tisation programme to begin next month in an effort to restructure Russian industry

through investment.
Mr Anatoly Chubais, deputy prime minister in charge of privatisation, revealed the plans in Stockholm over the weekend and expressed hope he would guide the privatisation through its next phase follow-ing his role in the introduction of economic reform.

'The main goal of privatisation has been achieved...the level of change makes the process of reform irreversible'

The early part of the first privatisation issued free vouchers to Russia's 150m men, women and children. Government legislation made privatisation compulsory for large and small companies and cut into Russia's vast state sector more deeply than any efforts exerted by other former communist states. Mr Chubais said that "the main goal of privati-sation has been achieved. The distribution of vouchers has changed the distribution of political power. The level of change makes the process of reform irreversible.

He said that by the end of this year around 70 per cent of property would be in private

hands, 70 per cent of workers would work in the private sector, 40m people would hold shares in industry and 1m people would own small busi-

> The next phase, said Mr Chubais, would involve the sell-off of the rest of the state companies and residual state ownership of most of the companies already part-privatised. This

a transition from giving away shares for vouchers to selling shares for money. fewer privileges for workers and managers in the privatised

companies compared with the incentives which marked the ■ two new ways in which com-panies can be privatised: the first giving 25 per cent of all

non-voting shares to workers and managers for nothing, with the remainder sold at auc-tion; and the second giving 10 per cent of voting shares away free, a further 10 per cent at a nominal price (fixed at June 1994) with a 30 per cent discount, and the rest sold at auc-

■ 51 per cent of the income raised from privatisation will go into the company, rather than to the state budget.

Other issues to be tackled in the programme, which is at least as ambitious as the first stage, will be privatisation of land on which enterprises are located. This issue is fraught with legal uncertainties. The privatisation of agricultural land remains mired in the

Another plank of the pro-gramme will be restructuring at enterprise level by giving shareholders more rights to change management. In addi-tion, the extensive social provisions from enterprises will be transferred to local administration and a working securities

market is to be created. Though a start has been made on all of these matters, they represent a vast agenda which even Mr Chubais acknowledges will take up to the end of the century.

The deputy prime minister said that this programme had already been approved by the government and should be published before the end of June. However, he warned of obstacles and dangers which he described as "the price of success" and which the next phase must tackle.
The main issue, he said, is

that the speed of privatisation had left no time to develop institutional investment by Russian and foreign companies. However, financial com-panies had built up reserves and expertise and would now be encouraged to invest.

Mr Chubais said that he

expected to be blamed for encouraging foreign investment and for the "sell-off of Russian industry." Since that was the case, he said, he would appeal to foreign companies to come as quickly as possible.

Mr Peter Aven, the former

trade minister and now chairman of Alpha Bank, part of one of Russia's largest financial groups, said: "This will now be the period of Russian investment in Russian industry. We are ready for it."

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Kashmiri militants who kidnapped two Britons are trying to involve United Nations military observers in plans for their release, Reuter reports from Srinagar.

Militant representatives yesterday said the pro-Pakistan Harakatul Ansar group, which abducted Kim Housego and David Mackie on June 6 while they were trekking in mountains south-east of Srinagar, wanted to hand the pair over to the UN Military Observer Group in India and Pakistan (UNMOGIP).

The small UN group has been based in both countries since 1949, watching over a tense ceasefire line which cuts through Kashmir after the two neighbours fought two wars over the Himalavan state. No reaction from UNMOGIP was immediately available.

Militant sources said Harakatn] Ansar also wanted journalists to be present at the release of Housego, 16, and Mackie, 36. Kim Housego's father David, who met the kidnappers last week in the mountains where the abduction took place, said on Saturday they assured him the pair were safe and would be freed in Srinagar, Kashmir's summer capital. They did not say

Earlier promises to free the Britons have fallen through, with the militants objecting to what they say is Indian military activity in the area.

The Indian government is sensitive about UNMOGIP's role, saying it has no mandate to observe a four-year-old uprising against Indian rule in the Moslem majority state. UNMOGIP officers were

turned away when they tried to act as neutral observers to an army siege last October at Kashmir's holiest Moslem shrine, where militants and some civilians were holed up. The militants emerged peacefully after a month.

The kidnap has been widely condemned by other militant groups who see it as bad publicity for their uprising, in which more than 16,000 are LDP and SDP join forces

Opposition pressure on Hata grows

Japan's two main opposition parties have joined forces to step up pressure on the fragile eight-week-old minority gov-

The Liberal Democratic party and Social Democratic party have overridden government protests to summon for-mer prime minister Mr Morihiro Hosokawa to testify before parliament tomorrow over allegations of financial impropri-

ety. Mr Hosokawa resigned in April because of LDP pressure to divulge details of loans from a gangster-linked parcel deliv-

ery company.

The opposition hopes the hearings will embarrass the ruling coalition and increase the pressure for a vote of noconfidence. The LDP and SDP are internally divided, but if they can agree on the confidence issue, a vote could happen some time after this year's long overdue budget passes the upper house of parliament. This is expected on Wednesday or Thursday, and before the parliamentary session ends on June 29.

Mr Tsutomu Hata, the prime minister, said over the weekend his cabinet would resign to pave the way for the formation of a new government rather than call a general election if a no-confidence vote succeeded. In that event a new coalition would probably include members of the LDP and SDP. Japan's traditional government and opposition respectively for

38 years until last July. A majority of members of parliament signed a petition last week opposing a snap election for fear of delaying popular plans to reform the elec-

toral system. This latest political tremor comes at an inopportune time for Mr Hata because his hands are already full with urgent talks with the US to resolve the trade deadlock are in full swing and the North Korean crisis is barely under control. Mr Hata's team is also working hard on a deregulation and tax reform package for presentation at the Group of Seven industrial nations' summit in

Naples early next month. Mr Yohei Kono, the LDP's ent, is planning to meet Mr Tomiichi Murayama, his Socialist counterpart, this week to seek support for a noafidence vote.

It is not yet clear, however, whether the two opposition leaders have the support of their party ranks, which are split on whether to accept or reject coalition overtures to join the government.

Mr Kono is out of line with such powerful LDP elders as former prime minister Mr Yasuhiro Nakasone, and former foreign ministers Mr Michio Watanabe and Mr Hiroshi Mitsuzuka. They want to negotiate a wide and stable alliance of centrist politicians, not unlike the LDP before it started to fragment last sum-

Such an alliance would best suit the current political situation, Mr Nakasone said on a visit to Washington last week. Indeed, Mr Watanabe was reported in the Japanese press to have presented plans for a new coalition including the LDP to Mr Ichiro Ozawa, the coalition's backroom strategist.
The SDP's left wing ironi-

cally supports uniting with the conservative LDP to bring down the government. Yet the Socialists' right wing represented by Mr Wataru Kubo, the party's second in command, still hopes to rejoin the ruling coalition without LDP help.

In the meantime, Mr Ozawa is making use of remaining LDP and SDP hesitation over launching a no-confidence vote, to seek an alliance with

Nuclear arms admission stirs Tokyo row

By William Dawkins in Tokyo

The Japanese government is struggling to contain a controversy provoked by Prime Minister Tsutomu Hata's official acknowledgment that Japan has the

capacity to make nuclear weapons.

Mr Hata's remark, in reply to a parliamentary question, drew an instant attack from the opposition Liberal Democratic party, whose leaders are considering whether to launch a vote of notion. This first public recognition that Japan is able to make nuclear bombs challenges a taboo imposed by Japan's wartime experiences and its neighbours' suspicions - repeatedly denied that it might develop nuclear weapons in response to a serious threat.

Mr Hata said that Japan had the capacity to make nuclear weapons but had not done so because of the nuclear non-proliferation treaty and the self-im-

confidence against the minority coali- posed three non-nuclear principles of not owning, making or allowing the import of nuclear weapons.

Mr Yohei Kono, president of the Liberal Democratic party, said: "How could the prime minister make such comments when every nation is making efforts to resolve North Korea's suspected nuclear weapons development programme?*

Japan's world-beating technological achievements might make it more sur-

prising if it could not make an nuclear bomb. However, Mr Hata's announce ment created enough of a stir for Me Hiroshi Kumagai, the government spokesman, to qualify the prime miniter's announcement.

Mr Kumagai stressed Japan's unshaken adherence to its non-nuclear principles and said Japan's use of nuclear power was limited to peaceful purposes, regardless of whether it could

Carter solution awaits the test of time

Questions remain on North Korean nuclear issue, writes John Burton

The next few weeks are likely to determine if former US President Jimmy Carter's trip to Pyongyang has produced a possible solution to the North Korean nuclear dispute or whether it will prove to be another diplo-

The essence of the proposed agreement, which Mr Carter reached after two meetings with North Korean President Kim Il-sung last week, is a pledge by Pyongyang to freeze its nuclear programme if the US holds another round of high-level talks on possible dipiomatic recognition and agrees to help supply North Korea with safer light-water reactors.

If the deal is concluded, it

would prevent North Korea from possibly building more nuclear devices but leave unanswered the question, for the time being at least, of whether North Korea has already acquired one or two atomic bombs as claimed by US intelligence.

"All of the agreement will be confirmed through official channels, which might take several days, but I think that the crisis which was possibly approaching war has been defused," said Mr Carter before returning to Washington to meet administration officials.

"We think we should explore this," Mr Anthony Lake, US national security adviser, told Cable Network News. "In the meantime, we will continue with the [United Nations] Security Council on our consultations for a sanctions resolution." North Korea also asked for a security guarantee from Washington that it would not



Relic of a former Korean conflict: a boy at Seoul War Museum yesterday touches the gun barrel of a Soviet-made North Korean tank

by the US or other countries. "I was authorised to say that in the context of the North-South [Korean] declaration on denuclearisation, that the US will be willing to join in on such an assurance." Mr Carter said on Saturday in Seoul after returning from Pyongyang.

Mr Carter's statement

suggested North Korea must adhere to the 1991 denuclearisation agreement with Seoul in the IIS no guarantee. The agreement has not been implemented, thanks to disagreements between the two Koreas on some of its provisions, including mutual inspections. North Korea has sought inspections of US military bases in South Korea as part of the agreement, while Seoul wanted to conduct

inspections of suspected nuclear facilities in the North. Mr Carter indicated the US was willing to accept North Korean inspections of its military bases to assure Pyong-yang that it was not storing tactical nuclear weapons. One issue that remains to be

answered is how long the

North's freeze would last on its nuclear activity, including suspending the operation of its 5MW reactor.

Mr Kim said that he would freeze his country's nuclear activities only while there were talks between Pyongyang and Washington on diplomatic recognition, but added that the freeze would be extended "if there is an assurance of lightwater reactor technology being available to North Korea".

But Mr Carter said it was "unclear" whether North Korea would suspend nuclear activity for the five to eight vears it would take to build a light-water reactor.

Another unresolved issue is whether North Korea would suspend the construction of its much bigger 50MW and 200MW reactors, expected to be com-pleted in 1995 and 1998 respectively, that could produce considerable amounts of weapons-grade plutonium.

The replacement of the North's current gas-coolled, graphite-moderated reactors with light-water ones would curb its ability to produce

weapons-grade plutonium and force Pyongyang to rely on outside sources for its reactor fuel. The US last year expressed support for North Korean acquisition of the light-water reactors but added it would not supply the technology and

finance the estimated \$2bn

cost. Mr Kim "understands that the US itself is not prepered to finance or furnish the equipment". Mr Carter said. deal outlined by Mr Carter is whether North Korea is willing to accept full inspections demanded by the international

Atomic Energy Agency to determine if Pyongyang diverted plutonium from its 5MW reactor in 1989 to build one or two nuclear devices. The disagreement over IARA inspections triggered the nuclear dispute 15 months ago. North Kores has blocked

complete IAEA inspections, possibly as a negotiating ploy to gain US diplomatic recognition. Mr Carter expressed his support for US diplomatic recognition of Pyongyang, while calling the threat of UN sanc-

Mr Andrei Kozyrev, the Russian foreign minister, claimed at the weekend that North Korea did not yet have a nuclear bomb and quoted "experts" as saying it would take the former Soviet ally three to seven years to develop one, Levia Boulton reports from Moscow

Mr Kozyrev seemed to bint his information came from Russian intelligence when he cited "all the sources of information reaching Mescow and not just the Foreign Missis-

While reiterating critician of the US for failing to counti Moscow on its proposals for phased sanctions of increme severity against Pyongyane he said there was no point in rushing ahead with them because China would vete them in the Security Com

However he warned that sanctions against the harding Communist state were "larvitable" if it persisted in keeping the international Am Energy Agency in the dark about its nuclear program He also criticised what he called the Russian paris-ment's "North Korean lobby".

tions against North Korsa "counter-productive".

Mr Kim promised that two IARA inspectors could remain at the North's nuclear complex at Yongbyon to verify that Pyongyang was not reprocessing and extracting photonium from spent fuel rods recently removed from its 5MW reactor. The US had frared North Korea would use the absence of inspectors to reprocess the nuclear devices.

The US has refused to hold recent talks with North Korea until it accepted routine IAEA inspections of its nuclear (acilities. But it would appear under the Carter proposal that the US might agreed to discuss the IAEA inspection procedures as part of the negotiations with North Korea in return for Pyongyang stopping the clock on its nuclear programme.

Government officials in Seoul expressed cautious ontimism about Mr Carter's proposals. They had expressed concerned that North Korea was using the talks as another

INTERNATIONAL PRESS REVIEW

Pyongyang's charm offensive

NORTH KOREA

By John Burton

The North Korean nuclear dispute has not diverted the Pyongyang media from reporting other weighty matters, such as the fifth congress of the North Korean Juvenile

The 3m children, age seven to 13, who are members of North Korea's version of the scouts and guides, were called upon to serve and protect their graceful father" and Dear Leader, Kim Jong-il, the son and designated successor to the Great Leader, President Kim Il-sung.

"Away from his side, members of the corps are not able to be happy or even laugh," declared Mr Choe Ruong-hae, the league's head, as quoted by the (North) Korean Central Broadcasting Station.

"If the 3m members of the Juvenile Corps, like the 5m (older) members of the League of Socialist Working Youth, become guns and bombs, there will be no power to beat them," he added. in explaining the importance

of the juvenile congress, Chol*lima*, a monthly magazine, noted that the Soviet Union and east European socialist countries had collapsed because the "third and fourth generations of the revolution spoiled" the revolution's achievements.

"To complete the great tasks of socialism in North Korea, the rising generation must be educated to become a revolutionary successor loyal to Kim Jong-il." the magazine

The education campaign for revolutionary successors



How the North Koreans portray their future leader: an official picture of Kim Jong-il, the Dear Leader

includes such stimulating television programmes as a quiz show which questions children on the achievements and sayings of the junior Kim.

The forthcoming transfer of power from the 82-year-old Great Leader to the 52-year-old Dear Leader is a dominant theme of the North Korean state-controlled media. That is when reports are not condemning "American imperialists and their South Korean puppets" and, lately, the "International Atomic Energy Agency pup-

"It is my great pleasure to see that Comrade Kim Jong-il is respected, loved and praised by the people as the leader to continue the revolutionary

tasks," KCBS recently quoted his father as saying.

The junior Kim is portrayed in the west as spoiled and unbalanced, with a taste for foreign women and Hollywood movies. He appears to have an image problem in North Korea as well, according to defectors. While his charlsmatic father is respected, the public blames

his pudgy son for the country's mounting economic problems. The rhetorical overkill displayed by the North Korean media on the nuclear dispute, with its threats that Seoul will taste "the flame of war," may be an attempt to create a crisis atmosphere at home that will suppress public discontent over the worsening economy and unite support behind the junior Kim.

Listeners are continually reminded by KCBS of his "military genius" and told that be "began to teach the North Korean People's Army as early as in 1963, when he was 21 years old, to make it the strongest in

the world." Kim junior's support within the military is believed to be questionable, leading to speculation that the army might overthrow him in a coup once his father dies. Kim senior rose to power after his guerrilla activity against Japanese colonial rule in the 1930s, but his son is distrusted by the army because he lacks military expe-

There is consequently great emphasis placed by the media on the Kim Jong-il's relations with the military as teacher and guide. The media also warms North Koreans, isolated from foreign sources of information, that things are much worse in the former Socialist countries that have chosen capitalism.

"The world is in a food crisis. Especially, the soil in Russia, the Ukraine and Hungary has become desolate due to the private ownership of land, resulting in worse food conditions facing these countries," said Rodong (Labour) Shinmun, the newspaper of the ruling Korean Workers' party, in apparent attempt to console North Koreans who are suffering food

Mr Kim Jong-il no doubt is hoping that propagands offensive on his behalf will succeed and enable people to continue singing what KCBS says is the country's most popular song. Without you, there will be no fatheriand."



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CONTRACTS & TENDERS

IRAN GAS EUROPE EIG

INTERNATIONAL CALL FOR CANDIDATURES Iran Gas Europe EEC has been set-up in 1993 in order to carry out a feasibility study on the export of Iranian gas to Europe. This project includes the production, the treatment and the treasportation (either by pipe-line of by way of LNG) of about 30 bcm/y of ostmal gas for a period of 20 to 30 years. Consequently the study is among

others, composed of the following four technical parts: a production feasibility sub-study of an off-shore gas field situated in fran; a feasibility sub-study of all the onshore facilities, including inter alia th treatment plant for pipeline gas, the integrated treatment and liquefaction plant for LNG, the facilities for fractionation, conditioning and dispatch of the

osates and the general utilities, offshes and infrastructures: a feasibility sub-study on transport from fram to Europe by way of two al land roo

* a feasibility sub-study on transport from fran to Gurope by way of LNG. seering companies interested by one or more of these studies are invited to

a form, indicating the corporate name, the authorised capital, the year of foundation, the address of the head office and the names of the insuran companies supplying coverage of all risks connected with the present mission,

an indication of the study or studies for which the company wishes to apply, 3. an inventory of the human, material, and technical means at their disposal, their reference list and the list of similar works carried out or being carried

including contract prizes, duration, employer's name, brief scope of work. the balance sheets of the last three bookvears You are requested to forward your file before July 20th, 1994, per courier service to

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avenue des Arts 53 \$1040 Brussels

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Preference Shares in respect of the year 1994,
payable on July 28, 1994, to holden of record
at the cione of Depiness on June 27, 1994. By order of the Board, O.J. DEEGAN VICE-PRESIDENT AND SECRETARY QUEBEC CITY, JUNE 13, 1994

has 27, 1994. PREFERENCE SHARES

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At a meeting of the Board of Directors is
today, the following dividends were declare
ORDINARY SHARES

A quarterly dividend of cight cents (8e)
Canadian per share on the outstanding
Ordinary Shares, payable on July 28, 1994 to
holdest of record at the close of business on

APPOINTMENTS

SENIOR FUND RESEARCH ANALYST

talignal koréstment group requires a Senior Fund Remarch Aralyst whose pole ibility will be the auglysis of emerging numbers to Saziern Europe for the purpose of ag investment apparantites for institutions and high set-worth ballylatury, specific duties wil Include Bodies, analysing, evaluating, structuring and monitoring investments; marketing the religive attractions of the market region both internally and executally. The successful applicant, aged 25-30, educated to M&A standard and facinit in at least one East European language with long of other European languages in addition to English, most be prepared to based exte or come Editopiana implanges in autobas to Engine, mass on prepared to make excentively in camera. Europe. Applicants must have proven teach record in enebysis and explantion of privatisation, joint vanturing paid the structure must desirely of deals through minimum 5 years' experience combining 2 years' experience in resourch, accounting and tax issues pertaining to mergers and acquisations, restructuring, real estate, brokerage and international transactions and 3 years' investment and portfolio parangement experience gained within Eastyre Europe. Subary negotiable.

China warms to Hong Kong task

Beijing is talking of improved relations with the UK, writes Simon Holberton

ne of Hong Kong's few remaining colonial mansions, painstak-ingly restored to its full 19thcentury splendour, is the venue this week for a test of whether an apparent thaw in Sino-British relations is real or

Lokyon

A three-day meeting begins tomorrow at 28 Kennedy Road, in Hong Kong's fashionable mid-levels district, of the Sino-British Joint Liaison Group (JLG), the body established to oversee the nitty gritty of Hong Kong's reversion to Chi-

The meeting - the 29th JLG since 1985 - comes at a time when Hong Kong has been encouraged to hope for an end to the political stand-off which has held up a critical revision of the colony's law, and vital infrastructure projects such as a container terminal and new

Since the spring Beijing has been sending signals that China wants to get back to business with Britain and resolve outstanding issues about Hong Kong. The strongest indication came last week with a report that Mr Qian Qichen, China's foreign minister, had spoken of the need to "correct and improve" relations with Britain.

On Thursday, the Chinese Foreign Ministry, while declining to confirm Mr Qian's remarks made last Tuesday to a visiting group of Hong Kong trade unionists, said: "The Chinese side hopes that the difficulties on the question of Hong Kong will not affect ties between the two countries in other areas.

The most compelling explanation for China's apparent change of heart is self-interest. At the end of this month there will be just three years to go until China resumes sovereignty over, and responsibility for, Hong Kong, and much needs to be done.

According to a senior Hong Kong government official, Bei-

jing's appreciation of the difficulties of achieving a smooth transition without active British assistance is beginning to override hostility towards Governor Chris Patten and his

administration.

Negotiations for the financing of the colony's HK\$158.2bm (£13.6bn) airport project, conducted in earnest for the past two months after earlier delays, may have now entered the final phase.

Hong Kong democracy activists believe Patten and the UK government lack the stomach for a fight

China has promised a meeting of the Sino-British committee to discuss airport finance before the end of the month. The Hong Kong government last week said it would go to the Legislative Council (LegCo) on July 1 for HK\$15bn of financing to build the airport termi-nal and runway.

Both sides say their differences are small. But a possible snag is that the timing for the meeting on the airport may coincide with a LegCo vote on June 29 on Mr Patten's democracy legislation. However there are signs that Beijing has put the row about Hong Kong politics behind it and wants to move on.

Hong Kong government officials have also been heartened by China's request that the development of the colony's container terminal be included on the agenda for this week's

Approval for both projects was held up pending the out-come of bilateral talks about Hong Kong's political development. These talks ended last

alone. China has always said it is concerned about Hong Kong's prosperity and stability. a claim which would be difficult to sustain if it continued to hold up projects vital to Hong Kong's economic well-be-

Although many signs of improvement can be identified there are, as yet, no agreethe issue of military land, which the UK had hoped to ing, dissolved before British negotiators' eyes a month

ago.
The Hong Kong government had undertaken to build and outfit a naval base large enough for a modern aircraft

But Chinese negotiators have demanded a large increase in the naval base's size and also want to keep a lot of the military land which they had previously agreed to return to the government. in spite of the setbacks, the UK has attempted to encourage a more moderate line from

sures which might anger As one Foreign Office official put it: "In my judgment, the community is thoroughly fed up with confrontation. It is much better to slow things down and handle the essentials

in a steady way."

Beijing by avoiding policy mea-

Over the past month, and to the disenchantment of pro-deocracy groups in Hong Kong, Mr Patten has rebuffed calls for a freedom of information law, a human rights commission, and visas for two leading Chinese dissidents wanting to speak at a meeting commemorating the June 1989 Tianan-

Some officials claim that the confluence of these events was simply coincidence, but democracy activists believe that Mr Patten and the British government do not have the stomach



Paris shrugs off Rwanda threat

By John Ridding in Paris and die Crawford in Nairobi

France is seeking rapid United Nations approval for its plan to send forces to the Rwandan border as part of a humanitarian mission despite a warning from Rwandan rebels yesterday that they would regard French intervention as hostile.

Paris is hoping for the go-ahead from the UN security council today or tomorrow, government officials said yesterday. President François Mitterrand said France wanted to send forces to Rwanda without waiting for the formation of a full UN force. "Increasingly savage fighting is taking place and one can no longer wait. This is a matter of great urgency," he said.

The decision to send forces to support a humanitarian effort in Rwanda's civil war was announced in a joint statement on Saturday from the offices of President Mitterrand and Mr Edouard Balladur, the prime minister. The statement

said that the operation would be limited to the transitional period before the arrival of a larger UN force to support the existing 450-strong UN Rwan-

Senior French defence officials met last night to discuss details of the operation. A gov-ernment spokesman declined to comment on how and where the French forces might operate. But he said that the dispatch of French troops was conditional on UN approval and on the participation of other countries.

Mr François Léotard, the defence minister, ruled out the possibility that France would go it alone. Mr Alain Juppé, the foreign minister said, however, that he had received a commitment from Senegal to

send troops.

French officials said a few other African countries had also responded favourably to French requests for support. Among European countries, however, only Italy has said it might send troops to support a

humanitarian effort. According to Mr Juppe, French troops could be sent to the Rwandan border as early

as this week or next week. Officials in Paris indicated the forces could amount to between 1,000 and 2,000 troops. Rwanda's rebel leaders yesterday warned France to keep out of the country, saying they would regard a French-led military intervention as hostile. The Tutsi-dominated Rwan-

dan Patriotic Front (RPF), said France's "humanitarian" initiative was a pretext to deny the rebels an outright victory against the French-armed and French-trained government forces in Rwanda.

"The French are not a neutral party to this conflict," Mr Carlos Mugambage, an RPF spokesman, said from the capi-tal, Kigali. "They are partly responsible for the chaos and massacres in Rwanda. Their presence would only complicate the situation here."

In Kigali yesterday heavy fighting erupted and a Red

Cross worker was killed when a hospital complex in the government-held city centre was

France is based on material and financial support Paris gave to the government of Gen Juvenal Habyarimana, a mem-ber of the majority futu tribe and Rwanda's military leader until his death in an aircraft crash on April 6. When the RPF launched its civil war in 1990, France bolstered Gen Habyarimana's crumbling army with military advisers, weapons, armoured cars and helicopters. It also sent more than 300 French troops, osten-

community.

Paris denies its forces fought the guerrillas, but several independent reports speak of French soldiers manning roadblocks and helping government troops defend the frontline. Mr Juppé said he hoped to

hit by a mortar bomb. The rebels' hostility towards

sibly to protect the foreign

convince the RPF that the French operation would be

exclusively humanitarian.

Soccer **swamps** Colombia **elections**

By Sarita Kendall and agencies in Bogotá

Both candidates in the second round of Colombia's presidential elections yesterday launched intensive television publicity campaigns tied to the country's much-revered World Cup soccer team. But in the wake of the team's 3-1 defeat by Romania on Saturday night, such populist efforts to rouse voters appeared to have fallen

Outgoing President César Gaviria, who is barred by the constitution from seeking reelection, opened voting early yesterday in central Bogotá reminding Colombians of their duty to vote despite the disaster on the football field.

"I think citizens know that voting is not just a right but also an obligation and the decision which is being taken today is too important to be left to one side for lesser rea-sons," Mr Gaviria told reporters after casting his ballot.

Opinion polls give the governing Liberal party candidate, Mr Ernesto Samper, and the Conservatives' Mr Andres Pastrana identical percentages of the vote. In the first round, Mr Samper and his vice-presidential candidate, Mr Humberto de la Calle, had an advantage of 18,000 votes but did not win the

necessary overall majority. However, television news on Saturday barely mentioned the elections, dedicating virtually their whole bulletins to exhaustive coverage of the World Cup. Mr Samper and Mr Pastrana toured more than a dozen cities in a final dash for votes but the 17m registered voters hardly noticed amid the torrent of football news.

Most of the 16 other first round candidates have told their followers to choose as they please between the two remaining candidates, though General Miguel Maza, with 55,000 votes, joined the Samper campaign.

Despite minor guerrilla incidents - including the kidnapping of some officials - voting started quietly yesterday.



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World Bank report attacks inefficiency | Zedillo hails

By George Graham in Washington

The World Bank is urging a complete reorientation of policy on infrastructure provision in developing countries, to shift the focus from building new roads, electricity plants and water pipelines towards ensuring such installations provide the service they were designed for.

An extensive analysis of infrastructure issues in the latest edition of the World Bank's annual world development report shows that about \$200bn (£132bn) a year of infrastructuve investment in developing countries has greatly increased access to electricity, sanitation, paved roads, telephones and water. But inefficiency and poor maintenance have meant that money is wasted and ser-

"The report's main message is clear: there has been too much emphasis on the stock of infrastructure built and not enough on the service pro-vided," said Mr Lewis Preston, the World Bank's president.

The emphasis everywhere must be less on cutting ribbons to open new facilities and more on ensuring that those facilities deliver the intended ser-

The report notes that spending \$1m to reduce the very high losses of electricity in transmission and distribution networks could save some African countries \$12m in generating capacity, while the proportion of water delivered to the field in irrigation projects is typically only 25-30 per cent. compared wth 40-45 per cent in



Preston: 'facilities must deliver intended services'

the most efficient projects. World Bank highway projects primarily involving maintenance produce returns that are almost twice as high as those concentrating on new road construction. But almost \$13bn worth of roads - one third of those built in the last 20 years - have eroded for lack

of maintenance. Overall, the World Bank estimates that technical inefficiency such as leaking water pipes, electricity transmission losses and railway overstaffing costs the developing world \$55bn a year. In addition, it calculates that inefficient pric-

ing structures that fail to recover costs fully from users cost developing country gov-ernments \$123bn a year.

These inefficiencies cause great hardships not only for the very poor but also for businesses, the report says.

A study in Istanbul showed

that nearly all households used back-up water supply systems such as wells, rivers and street vendors because of the unrelia-bility of publicly supplied water. For the poorest households, however, these back-ups cost 5 per cent of total income, while for the richest it was only 1 per cent.

Another survey of 179 businesses in Nigeria showed that more than half owned electricity generators, an expense which amounted to around 10 per cent of the total machinery and equipment for the largest companies but as much as 25 per cent for the smallest. Yet because Nigerian regulations prevent the sale of surplus power, they operated their generators on average at no more than 25 per cent of capacity.

While efficiency of operation is typically much higher in industrialised countries, the report argues that there is nothing inevitable about this.

"Although the availability of infrastructure facilities does increase in step with national income, the efficiency and quality of service delivered is relatively independent of

income - that is, low income countries can be (and in notable cases are) good performers. while chronic waste and inefficiency can be found among

middle and even high income countries," said Mr Gregory Ingram, who headed the team that wrote the report.

The report suggests three

ways in which service can be improved manage infrastructure like a husiness, not a oureaucracy introduce competition directly, if feasible, and indirectly if not

■ give users and stakeholders a strong voice and real respon-

Analysing 42 developing countries the report found that in those with centralised road maintenance systems one third of unpaved roads and more than 20 per cent of paved roads were in poor condition; in countries with decentralised maintenance systems only 15 per cent of unpaved roads and a little over 10 per cent of paved roads were in poor condition.

Another study of 121 rural water supply projects in Economic Eye, Page 22

Africa, Asia and Latin America showed that of those where participation by the local population was classified as high, 83 per cent had good maintenance levels and 81 per cent were graded as effective in achieving their goals. Of those where participation was low, 23 per cent had good maintenance levels and only 8 per cent were

graded as effective. While non-governmental ent groups applauded the World Bank's call for more emphasis on maintenance and for greater user participation, they said that the Bank itself

was part of the problem What proportion of Bank infrastructure lending goes to maintenance? There is no figure in the report," said Mr Paul Spray, head of policy at London based Christian Aid.

The emphasis on improving infrastructural service rather than expanding the stock of infrastructure contained in the world development report echoes a theme which has been repeated in World Bank internal analyses in recent years most notably in the Wapenhans report, which found an elarming deterioration in the success rate of Bank projects and attributed it in part to an in-house culture that rewarded officers more for the volume of new loans they arranged than for the success with which they followed through on pro-

World Development Report 1994: infrastructure for decelop ment. Published by Oxford Unipersity Press for World Bank, 1818 H Street NW, Washington

departure of Chiapas envoy

in Mexico City

Zedillo. Ernesto presidential candidate of Mexico's ruling party, has welcomed the resignation of Mr Manuel Camacho, former peace commissioner in the Mexican state of Chiapes, although he has strongly denied any responsibility for it. Mr Camacho resigned last

week after accusing Mr Zadillo of deliberately undermining his efforts to secure peace in Chianas. The resignation came just a few days after Zapatista rebels formally rejected the government peace offer for Chiapes, and has raised concern of a resumption of vio-lence there before or after the August presidential election.

Far from showing any regret, Mr Zedillo said Mr Camacho's departure was the right deci-sion for the country. He denied that his description of Mr Camacho's peace efforts as a failure" played any part in the resignation, claiming Mr Camacho had already made up his mind to leave before the Zapatistas rejected the govern-

ment peace offer. The Zapatistas launched a rebellion in Chiapes on new year's day, demanding greater rights for the indigenous population and more democracy. Mr Zedillo's continued snipes

he may be seaking to finish off a political rival who has never hicken his presidential ambi-tions, and shore up support smong the conservative, so-called hardline wing of the ruling Institutional Revolu ary party, who have long opposed the reformist Mr Camacho, and his support for

Camacho, and assuments opening.
But the strategy has opened from the opposition, who have accused him of obstructing the peace process in Chiepes. Mr. Settillo may have allensted Mr. Camecho's supporters and possibly angered President Carios Salinas, who has strongly backed Mr Camache's peace efforts and publicly praised <u>prim</u> actor, pë resign

Nevertheless, many support-ers of Mr Zedillo believe that Mr Camacho's withdrawal from the national stage may help over the coming months. Party officials were increasingly concerned that Mr Camacho was undermining Mr Zedillo's presidential bid by situcking berdliners in the PRI and campaigning for democratic reforms. In a similar way earlier this year Mr Camacho's peace efforts in Chispes had overshadowed the campaign of Mr Luis Donaldo Colorio, the sizin presidential candidate of the PRI.

WORLD CUP

Spain and Bolivia hit by two-game red card bans

Spanish captain Miguel Angel Nadal and Bolivian star striker Marco Antonio Etcheverry were both suspended for two matches yesterday after being sent off in their teams' opening World Cup

The ban means both will miss their remaining two first-round group matches. Both countries were also fined \$3,500, the minimum automatic fine.

Etcheverry was sent off for viocoming on as a substitute during Bolivia's 1-0 defeat by Germany in the opening game. As a result his World Cup is unlikely to last beyond those four minutes: Bolivia are given little chance of advancing to the second round.

Nadal was dismissed for serious foul play when he felled a South Korean attacker on the edge of the box 25 minutes into Spain's 2-2 draw in Group C. The disciplinary committee of

Fifa, soccer's governing body, decided that in principle a direct expulsion will lead to at least a two-match suspension. General secretary Sepp Blatter also said that all teams were being warned to observe rules on shirt advertising after Germany, Switzerland and Romania all breached rules in the opening two days. Fifa added that if a player was

sent off for two yellow-card offences, he would receive a one-

Brazilian targets

When Russians speak of their World Cup opener against Brazil in San Francisco today, they say that shutting down Romario and Bebeto is their main concern. Brazil's two high-powered scorers seem like a nightmare to the Russians. Between them, they have scored 55 goals for Brazil's

The Russians say a point against Brazil — the tourn favourites - would give them a chance of qualifying for the second round by helping them fin-ishgt least second in Group B,



ahead of Sweden and Cameroon Russian captain Viktor Onopko card in a World Cup qualifier against Greece.

A Dutch treat?

The latest Fifa world rankings show Holland at No 2 and Saudi Arabia in 34th place, which indicates a stroil for Holland today in their Group F opener in Washing ton. The Dutch have been World Cup runners-up twice, whereas the Saudis are making their first appearance in the finals.

The Saudis' hopes may depen on whether 35-year-old forward Majed Abdullah lives up to his nickname – the Pelé of the Desert. "We are ready to surprise everyone here who doesn't know about Saudi football," he said.

Colombia upset

Romanian striker Florin Raducioiu scored one goal in each half as Romania surprised Colombia 3-1 in a Group A game on Saturday in Los Angeles. Many judges had tipped Colombia as title-worthy. Instead, Romania revealed dness in defence and a primal appetite for goals.

nbia, rated as the best of the 24 qualifiers coming into the World Cup by Pelé, the former Brazilian star, started well but could not reassert themselves after going 2-0 down after 34 minutes against a team that counter-

attacks furiously.

The US and Switzerland drew
1-1 in the weekend's other Group A game, at the Silverdome in Pontlac, Michigan - the first World Cup match ever played indoors.

A language with many accents

Michael Shapiro on New York's

ethnic soccer communities



There are two kinds of people here who care passionately about the coming of the World Com to

For the first group, and their parents, who were reared on Little League baseball, soccer still represents something exotic and therefore a bit mysterious: "You mean, no time-outs for beer commercials? Not so those whose forbears first played the game in distant places and later on the playing fields of Astoria, Red Hook and Greenpoint.

Each represents a New York neighbourhood defined by ethnicity. Brooklyn's Bensonhurst has endured as a transplanted Italian village for generations, while Flushing, in Queens, is, in its newest incarnation, Korean and Chinese.

Immigrants, needless to say, carry many things with them, some reviled by those who arrived before them, while others, music and food especially, are embraced – at least

until something newer comes along. They also bring their games: cricket and field hockey to the Caribbean sections of Brooklyn, Gaelic football to Inwood, in northern Manhattan. But the games, unlike food and dress and old bits of language and unlike the children who leave for the assimilated life, remain in the neighbourhood.

New Yorkers have been playing soccer for 100 years. Not that any-one would necessarily know it outside the neighbourhoods where the game has spawned some 250 local

Now, with World Cup banners fluttering from midtown light poles and with World Cup traffic alerts posted all over town, this supposedly inclusive city is slowly begin-ning to discover that the game the rest of the world plays has been here all along.



Jubilant Irish fans leave Giants Stadium near New York after their team's 1-0 win over Italy on Saturday Power

"They've always played it," says Frank Vardy, a city demographer and authority on local immigration. "Now they're being reinforced by people from new countries."

He refers to the present wave of immigration, the greatest the city has seen this century. The earlier tide was mostly European, the new one more from Asia and from central and south America. On any given weekend, the fields of Manhattan's Central and Riverside parks are filled with men in cleats and shorts, most speaking Spanish. Wives and children linger nearby.

This ethnic cohesiveness paral-lels the experience of those who came many years before and formed their own clubs with their own people, says Fritz Marth, dministrator of the Cosmopolitan

Soccer League.
Over the generations, ethnic exclusivity has lessened. But that is a function of time. The more recently established Albanian chibs, for instance, dominated by immi-grants from Kosovo, are homogeneous, as are the Latino clubs.

While the older clubs, like Gjos. of Norwegian ancestry - one of whose directors goes by the name of Paddy O'Sullivan - endure as sporting and social clubs, the newer players bring with them the nationalistic and ethnic passions recently left at home. "I wouldn't like to be the referee," Marth said of matches between newly-arrived Serbs and the Croats who preceded them to

Because immigrants have been coming to and through New York for so long, and because so many have written so eloquently about their experiences, a mythology about the city has evolved. Like all myths, it is rooted in a hastily inflated version of the truth: in this case, that all who come here really want to become Americans, leading to (outward appearances aside) rapid and enthusiastic assimilation. In reality, a third of all immigrants have, after some time, gone back. Many are disappointed. Many never intended to stay. And many who remain never quite get used to the sound of America as home. This means that almost any excuse

to embrace the past will do. Italian restaurants, which for years hung portraits of the national team above their cash registers. now display hand-printed "Forza Azzurri" signs in their windows.
It is much the same in Irish pubs,

where second- and third-generation Americans, often only Irish on St Patrick's Day, reaffirm their kinship with the young men who have recently arrived, looking for work in the building trades.

The World Cup also comes to a

New York caught in the midst of one of its most frenzied sporting seasons in decades. The ice hockey Rangers have just won their first championship in 54 years and baskethall's Knicks have elbowed their way into the championship playoff. It was always tough for soccer to compete, given national ignorance of the game. But that matters little in the city's "Second Little Italy" on Arthur Avenue in the Bronx, or in the Irish pubs of Woodside, in Queens. "It's your team," says Vardy. "It's your country's team." Michael Shapiro is a writer living

in New York.

Scathing press greets frustrated Italians

The Italian team is staying in the US but may have to leave the New York area after their bitter 1-0 but by freland in their opening World Cup match at the we In some eyes, Ireland's perfor-

Italy's loss jeopardised their bances of finishing first in Group E, and thus staying in the New York area for the second-round stage. The other members of Group R, Norway and Mexico, clashed yes-

terday in Washin Italian players and coach Arrigo Sacchi said they were already thinking of their next match against Norway on Thursday. "All ve can do now is win," said striker

Giuseppe Signori. Italy were overwhelmed both on the field and on the stands by the Irish, and suffered in the heat and

Sacchi noted that Norway are as physically tough as Ireland, suggesting that Italy face another difficult test at Giants Stadium on Thursday. Norway knocked the Italians out of the European championship two years ago.

In Italy yesterday, the reaction was savage. "What a disaster, Sac-chil" said the headline in Gazzetta dell Sport, typifying widespread frustration and anger with Italy's team and their coach.

Italian soccer writers were scathingly critical of the team's lacklustre play, and drubbed the complissing and attack strategies cated pa

Corriere della Sera described the result as a great disappointment, while La Repubblica said it was the end of Italy's World Cup dream. "Poor Italy," read the headline above a story calling the team fielded against Ireland the worst Italy has ever produced.

The banner headline of Il Messag-gero, a Rome-based daily, said, simply: "A small, small Italy."

of the Barcelona Olympica lease when Can Lease have The global inform system for World Cup USA SA, We've had plenty of practice for the World Cup. It was a little event called the Olympics.

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EDS

Postal workers set for sell-off windfall

By Roland Rudd

This contains

Thousands of British postal workers may receive more than £400 in free shares in the Post Office if Mr Michael Heseltine, trade and industry secretary, wins support for his plan to sell 51 per cent of the Royal Mail and Parcelforce.

Mr Heseltine wants to distribute more free shares to workers in the sale of the Post Office than in any previous privatisation.

He disclosed the plan during recent presentations to Conservative backbench MPs in an effort to gain

their support for the planned sale. Mr Heseltine hopes next week to publish a green paper setting out the options for change. He wants 10 per cent of the shares reserved for the

workforce, the maximum number

allowed under Stock Exchange rules. However, under Mr Heseltine's plan a greater proportion of the shares reserved for employees would be free than in any other previous government flotation. He is considering offering the free shares on the basis of length of employee service. He is also considering

offering postal staff free shares to

match the amount they purchase With more than 170,000 employees working for Royal Mail, the Letter Service and Parcelforce, 10 per cent of the shares in the £1bn sell-off would see postmen rewarded with more than £800 worth of preferential shares. Half

longer-serving postal staff. While the green paper recognises that the Royal Mail and Parcelforce could be kept in the public sector, the DTI remains confident that Mr Heseltine will win his cabinet colleagues' backing to proceed with

She added: "What I certainly

want to see is the water indus-

try taken under very firm con-

trol. I think it is outrageous

the way people are being

rooked at present by an indus

try which is paying huge salaries to the people who run it and making huge profits which

go to a small group of people."

Her comments appeared to

open a new gap on policy with Mr Tony Blair, the arch-

moderniser who is firm favour-

ite to succeed the late John

Mr Blair recently told the

Financial Times: "I think most

people would not regard it as a

sensible expenditure of mon-

ey... that you renationalise the

water industry as opposed to

say spending money on health

Mr Blair is expected to

launch his leadership mani-

festo later this week and to fol-

low this with a series of six

speeches setting out his views

be: education, the economy,

constitutional change, Europe,

the welfare state and the

However, the main battle

between Mrs Beckett and the

third candidate, shadow

employment secretary Mr John

Prescott, appears to be for the

deputy leadership, where they

seem to be running neck and

neck But neither will admit

that the leadership itself is

future of the Labour party.

The subjects are expected to

on individual issues

Smith as Labour leader.

or education.

of those shares would be free for the

Mr Patrick McLoughlin, the DTI minister responsible for the Post Office, will outline the importance of changing the Post Offices structure in a speech tomorrow to a London Conference on the future of the

He is expected to issue a warning to Tory backbenchers who want to limit privatisation to the sale of a 49 per cent stake in the corporation that the sale of a minority stake would not give the corporation enough freedom from the constraints of the public

The Post Office will today announce

record pre-tax profits of more than £300m in the year to the end of the March 1994. But Mr Mike Heron, Post Office chairman, will point out that a decline in letterbox mail, the first in recent history, underlines the need for the greater commercialisation at the corporation.

Annual results showing a 1 per cent fall in "pillar-box" business - the first drop since 1980 - are forecast. "Pillar-box" business currently

counts for about 75 per cent of Post Office trade - the other quarter includes bulk business mail, direct

Britain in brief



Military centres under Legal threat fresh review

The future of Britain's military search-and-rescue nerve centres is under fresh review in the latest round of efence cost-cutting, the Ministry of Defence confirmed

yesterday. But it denied weekend reports that a decision had already been reached to close one of them, at Pitreavie in Fife.

Last year Defence Secretary Malcolm Rifkind announced the Scottish centre was to bandle all rescue and coordination work currently split between Pitreavie. covering the entire northern half of Britain, and Plymouth. covering the southern half. 'No decision will be made until the findings of the study

group are complete," said an MOD spokesman. At the time of the original announcement, concentrating to be likely to give cost

the work at Pitreavie was said savings of more than £5m a

Shephard faces animal protests

UK agriculture minister Gillian Shephard will face the wrath of animal welfare groups this week over the transport

of live animals for slaughter. Mrs Shephard and fellow European Union farm ministers will be shown new video evidence at talks in Luxembourg that sheep and cattle are subject to intense suffering and cruelty during trans-European journeys to slaughter houses that can last

well over 24 hours. Current rules insist that animals in transit must be fed and watered at least once every 24 hours, but animal rights campaigners say the rule is unenforceable.

They want Britain to back Holland. Germany and Denmark in cutting the number of hours that animals can be transported without rest by two-thirds to a But Mrs Shephard is expected to back a Greek proposal on Wednesday which would provide a 15-hour watering time for fully grown young animais.

over HMSO

Legal publishers may take legal action against HMSO. the British government's stationery office, after talks broke down over material

covered by crown copyright. The Professional Publishers Permissions Group which comprises all the main legal publishers complains that since HMSO was given executive agency status in 1988 it has adopted a more restrictive approach to

licensing of crown copyright. The group says HMSO's new stance is an abuse of its monopoly position as supplies of crown and parliamentary copyright material and tens the future viability of their businesses.

Trade union image changes

The image of the average British trade unionist conjured up by the rail dispute or by he union voters in the Labour leadership contest is strongly male and blue collar, but the latest data from the polling organisation MORI underlines how false this image has

Not only are a majority of trade unionists not manual workers, but very nearly half are middle-class under the standard occupational classification. MORI says that 47 per cent of union members now belong to the white collar and professional classes A, B and C1. That compares with only 30 per cent classified as ABC1 in 1979.

There has also been a substantial increase in the proportion of women trade unionists, up from 24 per cent in 1979 to 38 per cent in 1994. In 1979 a total of 30 per cent of all adults over 18 were trade unionists - 76 per cent men and 24 per cent women. By 1994 the overall adult figure had fallen to 19 per cent - 62 per cent men and 38 per cent

Railway peace **Beckett sets out leftwing platform** talks fail to By David Owen Mrs Margaret Beckett yesterday underlined her cre-dentials as the candidate of the

all its employees

tices are agreed.

cing rises of at least 11 per cent

once changes in working prac-

on Saturday failed to achieve a

breakthrough in spite of Acas

officials' attempts to establish

common ground between the

two parties. Railtrack insisted

on a 48-hour adjournment of

the negotiations to reconsider

Negotiators are convinced

that Railtrack's industrial rela-

tions executives lack the full

authority to deal, and have to keep going back to the Rail-

track board - and, indirectly,

the government - to decide

The weekend disclosures

that Ms Jill Rutter, a member

of John Major's policy unit in

Downing Street, attended a Railtrack board meeting last

Friday at the behest of the

Department of Transport has

reinforced union suspicions

that the government is

involved in the dispute.

the company's position. RMT union officials

annoyed at the delay.

their next move.

However, 7% hours of talks

By Robert Taylor and David Owen

RMT, the UK railway union, is on the verge of deciding whether to extend its campaign of one-day strikes after weekend talks with Railtrack failed to bridge what negotiators describe as an "enormous gap" between the two sides of the pay dispute.

Railtrack, which operates Britain's railway infrastructure, is to resume talks with the union early this evening at the offices of Acas, the conciliation service, in a final effort to avert a second 24-hour shutdown of the network on Wednesday.

Railtrack's board is to meet this morning after the company's negotiators said at the weekend they would reconsider the costings behind the

pay offer to signal staff. Under industrial relations law, the union has to give seven days' notice of any industrial action. That gives it the next two days to decide whether to call a further strike for a week on Wednesday.

For their part, Railtrack's negotiators are re-examining the costings behind their original offer to see whether they can offer signalling staff more pay in return for improved pro-

RMT insists that signalling

resolve dispute left in the campaign for leadership of Britain's main opposi-tion Labour party.

She raised the prospect of staff should have an "up front" renationalising the water industry and made it clear she payment of 11 per cent before entering talks on a longer-term remained committed to nuclear offer linked to changes in

working practices to boost prodisarmament. doctivity. Railtrack says it can But Labour's acting leader only offer 2.5 per cent now for was also careful to highlight her experience and to promote herself as a candidate capable It has told signal staff it will of uniting the party. offer substantial but self-finan-

She said on BBC-TV: "I would be happy and proud to be described as a leftwinger but what I am is somebody who has always made up their mind on the merits of a case and tried to argue that case honestly and forthrightly."

Mrs Beckett invited a resurgence of Tory claims that a Labour government would be soft on defence by acknowledging that she might remain a member of the Campaign for Nuclear Disarmament if she became prime minister.

Stressing that she would leave CND if it became a pacifist organisation, she said she was still a member because it was the only body working for nuclear disarmament. She said she would be prepared to tolerate higher defence spending if she was convinced this was in Britain's interests.

On the water industry Mrs Beckett said she was "not He insisted: "We should not be ashamed of being working averse" to it coming back into class and middle class. I shall public control, depending on "what degree of public owner-ship is needed for that." be playing my part in the party I hope as leader.



Labour's acting leader Margaret Beckett said yesterday she was "proud to be described as a leftwinger"

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scruanonarie Steven Pimiott's production of Euripides' tragedy, an award-winning production from

and Bartok (247 7800)

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drive promising projects to succe

Graduate jobless figures improve

Graduate unemployment fell for the first time in five years last year, according to govern-ment figures published today. Six months after completion

of courses, the proportion of graduates who had entered full-time employment rose from 43 per cent for the equivalent period in 1991-92 to 45 per cent, while the unemployment rate fell from 11.6 to 10.5 per

This was achieved in spite of continuing expansion in student and graduate numbers. Overall, the number of students graduating successfully from "old" universities excluding former polytechnics - last year compared with 1992 rose 6 per cent, to 87,073.

dropped from 7,832 to 7,472 - having been as low as 3,079 in 1989 - while the number in full-time employment rose almost 10 per cent from 29,199 to 31,949.

graduates choosing careers in industry reached an all-time low of 21 per cent. In the academic year 1982-83 the proportion was as high as 33 per cent. Most of the extra recruitment came in white-collar service industries, with commercial jobs accounting for 84 per

According to the Universities Statistical Record, which produced the figures, heavier recruitment by advertising and market research agencies accounted for most of the rise.

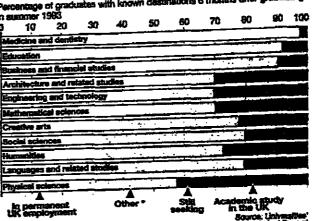
cent of employed graduates,

compared with 31 per cent the

women remained much better than those for men, with an unemployment rate after six months of only 7.7 per cent. Male unemployment was 12.9

This was in spite of a much sharper increase in the number per cent, compared with 5 per cent for men. Male graduates uates by more than 20 per cent, although the evidence from admissions services is that this gap will continue to narrow

Figures for individual subjects will deepen government concern that university expansion has avoided the mathematical and scientific subjects it wants to encourage - the



compared with 1991-92, while the numbers graduating in creative-arts subjects rose 11

They could add to suspicions voiced by Mr William Waldegrave, the science minister, that science degrees are unpopular because employers are not sending the right signals to the jobs market. After humanities graduates, on 13.5 per cent, unemployment rates were worst for mathematicians (13.4 per cent), engineers (12.7 per cent) and physicists (12.5 per cent)

University Statistics 1992-93 Volume 2: First Destinations of University Graduates. Universities Statistical Record, PO Box 130, Cheltenham, Gloucester-shire, GL50 3SE £16.75.

University borrowing scheme complete

Most universities will be abla to raise private capital from the bond markets, possibly by the end of this year, under a financial blueprint commissioned by university vicechancellors and the govern-

Formal government guaran-tees would not be useded under the scheme, which marks the first extension to the higher-education sector of the government's private finance initiative. The initiative was launched two years ago by Mr Norman Lamont then he was chancellor.

Primary legislation is also unnecessary, according to the blueprint, which was com-pleted last week. Universities will not be forced to borrow money this way, but most are thought likely to find the long-term fixed interest rates on offer in the bond markets very attractive.

European Capital, the merchant banking advisory group, and the solicitors Trowers & sioned by universities to draw up the blueprint earlier this year, estimate that a bond issue of £75m is possible by the end of this year, depending on how quickly universities can fix their budgets after the beginning of the academic year in September.

They would do so in a syndicate, using a vehicle company with a small permanent staff. similar to The Housing Finance Corporation, which has raised £770m for housing associations in bond issues since 1990, European Capital is now confident that there is sufficient demand in the City for universities to be able to borrow at rates significantly better than they could obtain from banks.

Not all universities and other higher-education institutions will be able to raise funds this way, as the City will not be convinced about their credit-worthiness. However, European Capital is certain that the majority will be able to do so, and it will work over the next few months to decide what per-

The first issue is likely to involve a range of institutions including both the more highly regarded universities such as Oxford and Cambridge, and news instinitions.

for capital projects such as libraries and laboratories.

sourced after the sharp expansion in student numbers over the past 15 years, which has seen the proportion of 18-year-olds going into higher education more than doubling from 13 per cent in 1980-81 to 31 per

However, they also recognise the reluctance of the governcould be funded elsewhere.

finance only for the financially 🏓 strongest universities, or to attempt to put together bond issues for all higher education institutions, were considered but rejected

being sent to university vicechancellors, the Department for Education, and the higher education funding councils.

Some universities are alarmed by the prospect that

other lower-ranked institutions they will in effect be providing them with a subsidy.

CBI demands boost for Bond picking vocational qualifications in the groves

By Lisa Wood, Labour Staff

More resources ahould be devoted to maintaining the "quality and credibility" of the new vocational qualifications aimed at improving skills, the Confederation of British Industry says today.

The organisation says in a review that the quality assurance systems that underpin the vocational qualifications, which measure an individual's competence to do a job, must be "sound and robust".

Labour MPs claimed recently that former employees of a training provider had made fraudulent claims for attainments of NVQs, which are awarded by internal assessors but verified externally by awarding bodies.

More than 68 recommendations for general reform of NVQs and the bodies responsible for administering them are given by the CBI in the first major independent review of

Almost half the average pay

increase is linked to how well

staff perform at work, says a

survey of more than 1.000 man-

agers by the Industrial Society,

the advisory and training

The survey acknowledged

that performance-related pay has had a relatively bad public

image recently, attributing this

to suspicion that companies

used it to cut pay bills rather

than as an integrated part of

Council

attacks

Banham

The chief executive of

Cleveland County Council, Mr

Bruce Stevenson, yesterday

accused Sir John Banham,

chairman of the Local Govern-

ment Commission, of misrepre-

senting the council's popular-

ity. The commission has

recommended abolition of the

He rejected Sir John's claim

that Cleveland was unpopular,

and said results of MCRI opin-

ion polls for the commission

itself showed that the level of

community identity with

Cleveland was above average

and higher than that for Lin-

coinshire and Gloucestershire. The commission has said both

of those counties should

Lobbying of MPs by council-lors intensified over the weekend as they reacted to last

week's proposals from the com-

mission that eight county

councils should be abolished.

In Cumbria, which the com-

mission wants to split into two

all-purpose authorities, one dis-

trict council described the pro-

However, the Association of

District Councils, which is

campaigning for all-purpose

unitary authorities, published a telephone poll by MORI which showed that 76 per cent

of people would rather their

services were not split as they

are at present between coun-

posals as "anti-democratic".

By John Authers

county council.

remain intact.

chief

the system. The CBI was one of the pioneers of the national system, which is based on measuring an individual's competence in day-to-day

The review treads a careful path between endorsing NVQs and making radical proposals for change at a time when the system has been criticised on a number of fronts - from the make-up of the qualifications to the integrity of the assessment process.

Mr Dominic Cadbury, chairman of the CBT's education and training committee, said: "The overwhelming message of the report is one of widespread support from employers for the NVQ system. "Just because it contains so

many recommendations for change, it should not be taken as a negative document. Indeed, the reason why so many recommendations are made is because employers want to see NVQs succeed." Mr

Performance pay 'is 43%

of managers' average rise'

eral area of "performance man-

agement" where appraisal may

not necessarily be linked to

pay. Half the organisations sur-

veyed linked the results of

appraisal to individuals' pay.

A majority of managers favoured a link between pay

and the outcome of appraisal

but a majority also lacked

confidence that their organisa-

tion had got this link right so

financial sector

The Industrial Society sur- PRP most enthusiastically.

vey also covered the more gen- Overall 43 per cent of the aver-

Recommendations in the report, which will be put out for consultation, include: ● Redesigning NVQs to increase their flexibility. This could require substantial change in a number of very

task-specific NVQs. Expanding the policing role of the National Council for Vocational Qualifications, the government-funded body that set up NVQs. This would give it more responsibility for quality and marketing. Additional staff and funding should be provided to enable this expansion to take place.

 Marketing NVQs more effectively. Current marketing is seen by companies as confused and ineffective with no central co-ordination, the CBI

Quality Assured: The CBI review of NVQs and SVQs. From CBI Publications, CBI, Centre Point, 103 New Oxford Street, London, WCIA 1DU. Price £5 members or £10 non-

age pay increase was linked to

individual performance but in

finance this rose to 61 per cent.

In the public sector the share

Pay increases were 100 per

cent determined by perfor-

mance in fewer than one in

five organisations nationwide

but in almost one in three

Managing Best Practice No 2 The Industrial Society, 48 Bryanston Square London W1H

7LN. £35 or by subscription.

was 26 per cent.

of academe

City analysts will soon have to grapple with a new problem -how to credit-score a univer-

European Capital, the merchant banking advisory com-pany, has compiled a blueprint for higher education institutions on how they can raise capital from the bond markets. But it does not believe all of them will be able to do so. Analysts will have the sensitive job of assessing which institutions are sufficiently credit-worthy, and where the cut-off point for funding should be made

good credit risks will not necessarily be restricted to universities. Several specialist institutions, such as music colleges, may prove very safe borrowers. Mr John Holden, of European Capital, says two sets of ests will determine whether colleges can borrow. First there are financial tests reserves, interest coverage

Institutions judged to be

over expenditure and all the normal indicators. These need extra research, but much of the information is already available and will be looked on favourably by financial institutions. Universities have the advantage of a regular stream of income from the

ratios, surpluses of income

The second set of tests relates to likely future demand for the university's services. They would try to answer the question: "Is this institution going to be around long enough to repay in 25 years?" After the fast expansion of student numbers, some City institutions may be anxious about this. They will need to

government.

John Authers on higher education's capital market potential

track records, and also at their popularity with students and with industrial sponsors. Any indication that a university is thriving academically will help convince the City that its future stream of cash from the government is assured.

The test of whether buildings could be sold for alternative uses - usually regarded as central to credit-rating - may be less important. Successful universities such as Bath and York have purpose-built campuses a few miles outside pro-vincial centres which would be difficult to sell for any alter: tive use, but European Capital believes they would still have no difficulty borrowing.

Universities will not be forced to use the new bond finance when it becomes available, but it holds several advantages for them. They will have access to funds in a volume which banks might not be prepared to offer - and at more favourable terms and costs, thanks to the large deals involved. Most importantly, their finance will be long-term - probably for 25 years - and at a fixed rate.

This type of funding suits universities, which expect assets such as libraries and laboratories to last over a similarly long timescale, and would be almost impossible to obtain

Film and TV body demands media safeguards before liberalisation 'Superhighway' warnings issued

By Raymond Snoddy The government has been

urged to set up strong competition policies for the media and information industries in order to prevent abuse of power in the age of multimedia and information "superhighways". The urgent appeal has been made by the British Screen

Advisory Council, the allindustry body set up to advise governments on the film, television and video industries. The council argues in a report National Heritage and the Department of Trade and Industry that the convergence of media, computers and tele-communications is likely to alter the rules of the game for the screen-based media busi-

If the "cultural imperative" - the sum of the benefits of public-service broadcasting were to endure, then tough competition policy would have to come before liberalisation and extensive changes in ownership rules. The council wants the powers of the Office of Fair Trading strengthened so that it can take more independent ini-

"To be truly effective, an enhanced OFT would need enhanced resources, additional powers and the political will that they should be used," the council says. The remit of an enhanced OFT should include monitoring the market operations of private and public broadcasters in order to protect the public interest. It should also be able to BBC. allow private lawsuits for dam-

dominance and distortion of the market. The council found that greater concentration of ownership would lead to economies of scale and might strengthen the position of the ITV companies to compete internationally. But no one should be

allowed to use a dominant position to inhibit the growth of a competitive programme market, the council says. It also believes that the BBC must be free to pursue commercial ambitions as long as it continues to fulfil its publicservice obligations. Mr Leslie Hill, chairman of Central Television and of the ITV Association, registered an objection to the council's policy on the

The council believes that a

ages arising from the abuse of flexible policy framework is needed to cope with develop-ments, including digital compression technology. That will involve hundreds of television channels; high-definition, inter-active and widescreen television; multimedia and virtual reality. Rather than dealing with each activity in isolation, general principles should be developed to manage the

changes under way. "They should derive principally from a recognition of the part which public service broadcasting has played in our national life and of the need for clear and strongly enforced competition rules as - through technological change - conventional broadcasting becomes part, and a receding part, of the entire spectrum," the coun-

Manchester runway hearings open tomorrow

By Ian Hamilton Fazey, Northern Correspondent

Two local authorities and eight protest groups trying to stop Manchester Airport from building a second runway will use five main lines of argument at a public inquiry beginning tomorrow. The inquiry is forecast to last until mid March next year at a cost of about

The opponents will say the £160m, 3,050 metre runway should be shelved on the grounds of green belt law. environmental protection,

safety hazards and potential danger to public health. Instead, Manchester will be

urged to operate its one runway more efficiently and transfer charter business and small aircraft to Liverpool and Leeds-Bradford airports. Liverpool's own expansion

plans, which include realigning its present runway - in effect building a new one - will face their own public inquiry if, as expected, they are called in by Mr John Gummer, the environ-ment secretary. Mr Gummer has said the Manchester outcome would not then be announced until he was also

ready to pronounce on Liver-pool's plans. Macclesfield District Council and Liverpool City Council will lead the objections to Manchester's plans, followed by Majag -Manchester Airport Joint Action Group, formed from eight separate campaigning bodies. The latter's case will be co-ordinated by Mr Brian

Majag has raised about \$250,000 towards its costs, but believes this will not be

Greenwood, an environmental

law specialist with Norton

Rose, a London firm of solici-

lawyer with the airport's team, some of whose leading members will be on fees of £5,000 a day. But Majag has secured the services of Mr Robert Webb, a QC whose parents own land threatened by the new runway.

The airport wants to expand to 30m passengers a year by 2005 from its present size of 13m-plus and rising. It claims 50,000 jobs would be created. Surveys have shown more than 90 per cent of businesses in north-west England support the expansion, which some regard as more important economically to northern England than the Channel tunnel.

To win. Manchester must show it is in the public interest to set aside the law protecting Cheshire's green belt. The objectors say the law should stand to protect the environment and sites of special scien-

tific interest from damage.
They will also say Manches ter needs a second runway only because it operates inefficiently by allowing an uneconomic mix of sizes and types of aircraft, that the proposed runway configurations will be unsafe because flight paths will overlap, and that increased activity will disturb funding

Tories 10

aroid row

Universities need the finance

ment to pay for building which This year, for the first time. the Committee of Vice-Chancellors and Principals made no request for student accommodation funding in its submission for Treasury Alternative plans to raise

Copies of the blueprint are

by joining a syndicate with

However, European Capital's research shows that all the institutions involved in the syndicate would gain from the preferential rates on offer for larger-scale syndicated borrow-

Fresh formula, Page 16

MPs set to urge tougher trademark bill

By Nell Buckley

Manufacturers of leading brands are vowing to continue their campaign for legislation to curb supermarket "lookalike" brands, in spite of their failure to get measures included in the trademarks bill, which has its

third reading in the Commons today. Several MPs are expected to call for tougher measures against lookalike brands, own-label products designed to resemble closely those of top manufacturers, but the bill is thought likely to be passed by the Commons without significant amendments.

Brand manufacturers are hopeful. however, that they may extract a promise from Mr Patrick McLoughlin, a junior trade and industry minister to look into the issue further.

They want legislation to stop super-markets not only infringing registered trademarks, but copying the overall look of branded goods, including the colour and shape of packaging.

The manufacturers say existing safeguards, such as the threat of legal action against "passing off", are inadequate, especially compared with legislation in continental Europe. The British Producers' and Brand

Owners' Group, which includes companies such as Unilever, Mars and Grand Metropolitan, was originally paign for measures in the trademarks bill. It is now expected to appoint a formal secretariat, with a constitution and agreed funding, to continue its

fight against lookalike brands. The group's spokesman, Mr John Murphy of Interbrand, the consulting group specialising in branded goods, said brand owners had no alternative but to fight on.

"They feel they have waited for too long to take action," he said. "They are worried the situation is deteriorating, and the major retailers will see the government's reluctance to legislate as a licence to cheat."

Own-label products now account for more than 50 per cent of turnover in superstore chains such as Sainsbury, Tesco and Safeway, but have been strongest in areas such as chilled and fresh foods and some packaged

However, after the launch of Sains bury's Classic Cola as a direct competitor to Coca Cola, manufacturers fear the supermarkets will take the battle into areas where branded goods

remain dominant, such as soft drinks and branded alcoholic beverages, pet foods and cereals.

Mr Murphy cites Sainsbury's recently launched peach schnapps, which brand owners claim is a lookalike of IDV's Archers, as another example of the trend.

Sainsbury insists the drink is not a copy of Archers, and in fact more closely resembles some brands in continental Europe, where peach schnapps is a well established drink. It defended its use of a frosted-glass bottle with the claim that this was

Tories to avoid row over EU funding

Conservative Euro-sceptics are preparing to back away from confrontation over a bill increasing Britain's contribution to the European Union's budget for fear that renewed wrangling could smooth Labour's path to government.

But ministers may be unable to exploit the situation to secure Commons approval for the measure before MPs begin the summer recess next month, as they originally intended. This is because the bill remains blocked in the EU Council of Ministers.

Meanwhile, in an indication that the government still faces a struggle to get its way on some European issues, Tory rightwingers yesterday intensified their calls for Britain to veto the appointment of Mr Jean-Luc Dehaene as president of the European Commission.

The calls were led by Mr Norman Lamont, the former chancellor, who said Britain should reject the Belgian prime minister's nomination and threaten to veto it.

Earlier this month, Mr Douglas Hurd, foreign secretary, hinted that the government was not prepared to veto Mr Dehaene's appointment if its preferred candidate - Sir Leon Brittan – did not gain enough support among other EU

Tory Euro-sceptics yesterday played down the prospects of a Maastricht-style rebellion over the bill giving force to changes in the European Union's system of own resources. They warned of a "sea-change" in attitudes brought about by growing concern in Conservative ranks that Labour was making itself "electable".

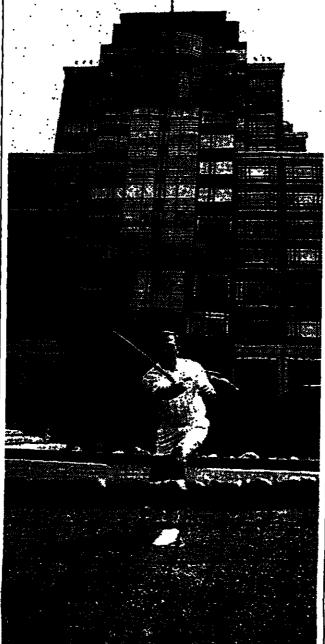
But Sir Teddy Taylor, another leading Euro-sceptic, made it clear that he would oppose the bill, which will lift Britain's contribution to the RII budget in line with the agreement reached at Edinburgh in December 1992.

Sir Teddy, the MP for Southend East, said he found the idea of passing a bill to give the EU more money "literally unhelievable".

According to the Treasury. Britain's net payments to the EU are set to double to £2.8bn in the year beginning April 1995 from £1.3bm in 1994-95. The government said last

month that the bill was being "blocked by Italy" in the Council of Ministers, making it increasingly unlikely that it can be presented to MPs before they leave for the summer in

If ministers are unable to introduce the measure until the autumn, it will raise the prospect that next year's legislative timetable will have a pronounced European flavour, which would be unwelcome to the government. A bill to permit the enlargement of the EU is also expected to be



Net profit: City workers will be able to emulate their tennis heros during Wimbledon fortnight - which starts today - as Broadgate's Exchange Square is transformed into a tennis court

SNP attempts to don mantle of socialism

privatisation everywhere from Poland to Mongolia but its virtues are still being preached in Monklands East, the Scottish constituency which votes in a by-election next week to elect a successor to the

John Smith. Mrs Kay Ullrich, the Scottish National party candidate, proclaimed last week that an SNP government would renationalise Scotland's gas and electricity – and its water, if it had been sold off. Coal, steel, transport and telephones would also go back into state

These views may not disturb people in Airdrie, the former steel town outside Glasgow which lies in the constituency. But they sound a little strange from a party which 10 days ago won support from thousands of ex-Tory voters to take the North East Scotland seat in the European elections from

In those elections the SNP won a record 32.6 per cent of the vote across Scotland. It is trying to follow up its success by seizing Monklands East, a Labour stronghold where Mr Smith had a majority of 15,712

It is not as unlikely a prospect as it might seem. The SNP took the Airdrie South council seat, which makes up 40 per cent of the constituency, in the regional elections in

It believes it achieved a swing from Labour over the whole constituency of 17 per cent - only four points short of that required to oust Labour in

But Labour, remembering the humiliating defeat it suffered at the hands of the SNP in the 1988 Glasgow Govan by-election, has moved with almost unseemly haste to schedule the by-election for June 30, allowing little more than two weeks for cam-

James Buxton assesses the prospects in Monklands by-election

paigning after Euro-elections. It also selected one of its

most formidable Scottish figures, Mrs Helen Liddell, former secretary of the Scottish Labour party, manager of many an election campaign and once an executive at Mirror Group's

Immaculately coiffed and dressed to radiate power, she is professional to her fingertips and was closely associated with John Smith.

But she represents a party which has allowed the word Monklands to become a byword for Labour municipal malpractice. In 1992 and 1993 the local newspaper revealed that Monklands District Council was controlled by a "mafla" in the Labour party which appointed many of its own relatives to council jobs.

The council administers the similarly-sized towns of Airdrie and Coatbridge. But Coatbridge has had capital spending of £471m in the past three years to Airdrie's £59m, gaining a leisure complex and

a shopping centre.
Airdrie people put
Coatbridge's advantage down to the fact that they are excluded from the "mafia", and, more darkly, that they are mostly Protestant while the ople of Coatbridge Catholic, as are all the councillors.

Mrs Liddell admits that Monklands council is "something of a curate's egg" but, like John Smith, prefers to

per cent unemployment and Health Service. Mrs Ullrich has called vaguely for a public inquiry into the council.

It has been left to the Conservatives, whose candidate, Mrs Susan Bell, is a eading member of the Tory Reform Group, to highlight the religious divide and associate itself with the Protestants: on Saturday she witnessed the annual march through the town by its Orange Lodge. The Liberal Democrat candidate, Mr Stephen Gallagher, plays down the sectarian issue.

Several people on the streets of Airdrie talk of their resentment at the council. "You see all the building going on in Coatbridge and then you look around here where nothing is happening and it makes you really angry," says middle-aged man, adding that the SNP will get his vote for the first time on June 30.

Mrs Ullrich tries to portray the SNP as the true socialists, having "more in common with the Red Clydesiders [Scottish Labour radicals of the 1920s] than today's pinko Labour party." But she is far less sure-footed than Mrs Liddell

SNP volunteers are coming from outside the constituency to make up for the lack of an established organisation to match Labour's. But there may not enough time left. The odds are on the SNP coming a very good

General election: John Smith (Labour) 22,266; SNP 6,554; Conservative 5,830; Liberal Democrat 1,679. Majority 15,712. Candidates: Helen Liddell Labour; Kay Ullrich, SNP; Susan Bell, Conservative; Stephen Gallagher, Liberal Democrat; Duncan Paterson, Natural Law party; Abi Bremner, Network Against the Criminal Justice Bill.

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over Severn sackings

Talks between management and unions will resume today in the dispute which has halted work on the construction of the £300m second Sev ern bridge between England and Wales, Roland Adburgham

The main contractors, Laing-GTM, dismissed more than 700 workers on Thursday when they held a 24-hour strike in pursuit of higher bonus payments. Five hours of talks on Saturday between the management and the Ucatt construction union and the TGWU and GMB general unions failed to resolve the dispute. Laing-GTM has invited the

sacked workers to reapply for their jobs today under existing terms and conditions. The

Talks go on Nissan's personnel chief at Sunderland to quit

Mr Peter Wickens, personnel director of Nissan Motor Manufacturing (UK), is to leave the

Mr Wickens, who is also a board member, is credited with being the man who moulded the shape of industrial relations and practices at Nissan's £900m UK plant at Sunderland, Type and Wear. He joined the Japanese carmaker in October 1984 as the first British employee of its Sunderland

A former industrial-relations manager at the Dagenham body-plant of Ford, he jetti-soned most industrial relations practices at Nissan, substituting a philosophy of teamworking, flexibility and qual-

single-union agreement with the AEEU engineering union, as well as "flat" management structures and single status for all employees. He will leave the company early next year. Mr Wickens masterminded

the recruitment needed for the swift expansion of the Nissan plant, which now employs 4.250. It was the UK's bigg car exporter in 1993, with nearly £1bn in export earnings, and is Europe's most productive car plant. Last autumn he imple-

mented an "agreed separation" policy - shedding jobs without redundancies in the face of the European car sales downturn. He said he was not leaving under this programme. "Unfortunately it's closed," he recruitment easy given its lack of a collective-bargaining role at the plant: just 40 per cent of employees are members. But Mr Wickens said he is "a friend of trade unions" and believes they have a role to play in the new style of industrial rela-

He said: "The vast majority of British trades unions haven't really addressed these issues. It's up to trades unions to find their relevance." He said at the weekend that this was an "opportune time"

to move on, having been at

Nissan 10 years. However, he is not moving to another job in industry - his plans include lecturing. His second book, The Ascendant Organisation, is to be published next year.

Consumer confidence 'fragile'

Weakness in the housing market is the greatest threat to further consumer spending growth, PA Cambridge Economic Consultants reports today in its latest quarterly survey. Graham Bowley

It adds that consumer confidence remains fragile but has improved slightly following the impact of April's tax increases. Only 12 per cent of people believe the recession has ended, it says.

However, the number of people intending to buy houses or flats within the next year has fallen to its lowest level since the survey began more than three years ago.

Confidence in the government remains very low, it

A view from the Institute for Fiscal Studies about the chancellor's options in post-1994 Budgets

Spending level to govern pre-election tax cuts

or 1996 Budget to make preelection tax cuts, he would be following closely in the footsteps of several of his recent predecessors, Lord Howe's 1983 Budget saw a pre-election increase in the ceiling on mortgage interest relief, Lord Lawson's 1987 Budget cut 2p off the standard rate of income tax, while Mr Norman Lamont, even amidst gathering fiscal gloom, found room to cut income tax by around £2bn by introducing a new 20p tax rate in 1992. But if electoral considerations are at the forefront of the current chancellor's thinking, his scope for implementing substantial tax cuts looks rather limited.

One important fact to bear in mind is that the government has yet to finish implementing of Mr Lamont's tax

1993, to say nothing of the additional tax increases set out by Mr Clarke last November. Chief amongst the Lamont measures is the increase in the rate of value added tax on domestic fuel from 8 per cent to 17.5 per cent due in April 1995. In addition, both chancel lors announced sharp real increases in duties on petrol, and to these Mr Clarke added increases in tobacco duty and further cuts in income tax

Altogether, these measures represent an additional £6.5bn of tax increases still to come in April 1995 and another £2.5bn in April 1996 as the full effects of these measures work

through. What evidence is there to suggest that the fiscal (as opposed to political) climate

has changed so much since last age less than 2.5m. Given that November that there is now scope for tax reductions? One promising sign is that the outturn for the PSBR in 1993-94 was about £4bn lower than had been expected at the time of the November budget. Whilst some of this was due to one-off factors such as higher local authority capital receipts, a significant part did reflect slightly better than expected economic performance.

A further source of encouragement has been the recent trend in unemployment. By convention, it is assumed that over the planning horizon unemployment will remain unchanged, and the November projections were based on a figure of 2.75mn. This is likely to be an over-estimate for 1994-95, where on present trends unemployment looks likely to avereach 100,000 off the unemployment register is estimated to save the government about £350m in social security spend-

ing alone, the overall effect of the fall in unemployment could be to add a further £1bn or so to the chancellor's room for If the chancellor was perhaps £2bn or £3bn better off than he had anticipated, he could - in principle - either cancel some of the planned tax increases, or

go ahead with the announced changes but at the same time cut other taxes. If he went down the first route the most attractive option would probably be to cancel the second stage of the imposition of VAT on fuel. The loss of revenue from this would be more than £1.5bn, but he could also cancel the second stage of the social

security compensation package and reduce the net cost to As an alternative, the chancellor could attempt to re-

establish the Conservatives' tax-cutting credentials by going straight for the most prominent tax rate of all - the standard rate of income tax. The government is in principle still committed to moving towards a standard rate of 20p, and just under £2bn of the chancellor's spare cash would buy him a standard rate of 24p. The beneficial political effects of such a change might how-ever be somewhat diminished if implemented next April, since the overall package would still represent a net tax increase of around £4bn.

All of this speculation is based on the assumption that the existing public spending

overshoot on the rather stringent public-sector pay targets would soon change the picture. In the longer term the mess: is that significant tax cuts will be possible only if there are substantial cuts in public

spending. Over the past fifteen years this has simply not happened, with spending in 1994-95 accounting for almost exactly the same share of national income as in 1978-79. Unless the economy performs markedly better than expected Mr Clarke will have to wield the knife on spending far more effectively than any of his predecessors if he is to have any scope for significant pre-election tax cuts.

Steven Webb is a program director at the Institute for Fisexperienced banking partner who is a treads. Through our investment and CA, die Bank zum Erfolg.

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others

novel "trade fair" at which 40 voluntary organisations L Aeffectively compete for the free time and expertise of up to 35,000 British Airways employees will be staged near London today.

Designed to achieve a better return on what BA chairman Sir Colin Marshall calls the airline's "care capital" – the largely untapped energy, skills and enthusiasm of staff which can be donated to charitable causes initiative is likely to interest senior managers in other large

The main aim of the Community Partners Fair, to be held in a converted hangar at Heathrow today and tomorrow, is to identify and recruit mentors. These are individuals or groups of individuals among BA's staff prepared to adopt a particular charity and offer their skills on a one-to-one basis. As well as all employees working at head office BA has invited its pensioners. whom the company believes are a potentially valuable voluntary

resource.
"This is by far the largest exercise of its kind in Britain," sald the organisation Business in the Community approvingly last week. "It is also an example of a company listening to its employees rather than betraying the signs of what we used to call the chairman's wife

Gary Gray, BA's head of community relations, sees staff benefit for the airline but he also maintains that companies such as BA require a broader "licence to operate

He adds: "We have listened carefully to those who say that time and skills can be just as useful as money. In our overall strategy in this area we are giving surplus resources which are of minimal use to us but which are of enormous value to the community

Today's fair has been widely promoted within the airline, half of whose staff said in a survey last year that they wanted to be more involved in community projects. BA has even costed the manpower value of time volunteered in the 1993-94 financial year at £2.7m. "We want our employees to come and see what's on offer and decide for themselves how best to help,"

Exhibitors range from local organisations, such as the Hounslow Afro-Caribbean Association and the West London charities including Age Concern, the British Red Cross Society and the Prince's Trust.

news, so I'd better come out with it

straight. The FT Mean Boss Award

nominate up to three mean bosses. I

was looking for leaders of Britain's

biggest companies who were tyran-

nical, bullying and intransigent. I

was expecting so many responses

that I had considered installing a

one lonely reply that met the crite-ria laid down. That came in an

anonymous brown envelope and nominated Rudolph Agnew, chairman of Lasmo. It cited nine unflat-

tering attributes, some of which are

to Agnew, about whom I know nothing that substantiates the

claims. In any case he is disqualified for being in the middle of a

particularly ugly bid battle. For all I

know, the sender is some joker from

am reluctant to award the title

Sadly, however, I received just

has been a total flop.

special fax machine.

I'm not sure how best to break the absence of any other suitable candi-

has been a total flop. this unhappy episode, I want to understand why the result was so

K public services such as health, transport and education have adopted many of private sector in the past 15 years. But has this exposed them to the sort of excesses that can arise from a more entrepreneurial approach?

The government's aim has been to improve the efficiency and responsiveness of the public sector by encouraging managerial auton-omy and placing much greater emphasis on performance. The move away from the traditional administrative approach of delivery, however, has led to growing concerns over waste of taxpayers'

money, corruption and fraud.

It has also raised questions over the role of the thousands of outsiders appointed to the boards of quangos and other bodies that deliver public services. These "non-execu-tive directors" have been blamed for several of the fallings of public bodies, which led to the warn February from the powerful Com-mons Public Accounts Committee of a decline in management standards. This parliamentary watchdog catalogued an increase in "serious failures in administrative and financial systems and controls" in government departments and other public bodies. These included:

 The loss of at least £20m on an abortive plan to computerise the Wessex regional health authority involving conflicts of interest between board members and computer contractors.

 Serious neglect of their duties by members of the West Midlands regional health authority that allowed managers to waste more than £10m on the authority's services organisation.

• Misuse of public funds at the

Welsh Development Agency, including the provision of cars for board members without requiring them to pay for private motoring.

"If the level of problems continues at its present level, we are just not capable of handling it," Michael Stern, a Conservative member of the PAC, told a recent seminar called to launch a discussion paper on corporate governance in the public services* published by the Char-tered Institute of Public Finance and Accountancy (Cipfa).

The seminar brought together more than 50 top managers from the sector to discuss the responsibility and accountability of those in charge of high-profile public ser-

The starting point for the discussion was the report of the Cadbury Committee, set up in 1991 to examine the financial aspects of corpo-rate governance in the private sector. Participants in the seminar were keen to see whether they could learn anything from the debate in the private sector over the code of practice recommended by the committee in its 1992 report.

One immediate point of similarity between public and private sectors was highlighted by Sir Adrian Cadbury, the businessman who chaired the committee. He pointed out that behind most cases of fraud and mismanagement lies the unfettered role of a single individual.

"Checks and balances are needed to avoid these undesirable concentrations of power," he said.

The Cadbury committee had concluded that strengthening the role of non-executive directors and sep-Tim Dickson | arating the roles of chairman and

date, I am declaring the competition

null and void. But before forgetting

disappointing. I can think of three

Nobody read the original article.

All British bosses are delightful

The bosses are so mean that peo-

leads me to reject the first two

explanations. There was no short-

age of mean boss nominations, but

nearly all of them run companies too small to qualify. Judging from

the letters, these bosses are so hor-

rid as to be barely credible. Here

The boss of an engineering com-

pany who apparently sacked one person for taking his jacket off dur-

ing a meeting, and another for hum-

are three particularly mean ones:

The evidence from my in-tray

ple do not dare to expose them.

possible explanations.

to work for.

The role of non-executives in UK public services is increasingly important as concern grows over potential waste and corruption, says John Willman

Private pain of public sector



issues of strategy, performance, resources and standards of conduct.

on behalf of the shareholders. Noel Hepworth, director of Cipfa,

LUCY

KELLAWAY

group who takes colleagues out to

lunch, only to scream at the top of

his voice in the middle of a busy

restaurant. Apparently this individ-

ual likes nightclubs but always

leaves his guest to pay, and fills his

own cigar case from the box pro-

vided for company entertainment.

The head of a distribution com-

pany who was so incensed by the

state of his finance director's pri-

vate car that he subjected him to a

humiliating inspection of his col-

leagues' cleaner vehicles.

chief executive was the key to good warned that creating such checks corporate governance. It was the and balances was more difficult in onsibility of the non-executives the public sector. These services are to provide independent judgment on accountable to a variety of stakeholders, including the community at large, their customers and higher levels of government.

they reach the first division?

I have occasionally heard say that

there was a mean streak running

through Sir Alastair Morton, Sir

Colin Marshall, Sir Peter Levene,

Mick Newmarch, Sir Richard Green-

bury, Alan Sugar, Sir Allen Shep-

pard, to name just a very few. It

Moving on to ultra-nice bosses, I

was surprised to learn that Ben &

seems I've been misinformed.

Too often, it was assumed that

political accountability was a substitute for good governance, he said. Yet the interests of politicians and the public services may not be the same, with the former subject to the short-term imperative of re-election.

"We have to look for alternative

looking for someone with "gentle-

ness of spirit", but is having trouble

However, to conclude that there

is a market rate for every job would

be wrong, at least on UK experi-

ence. All the studies show a great

variance between comparable jobs in comparable companies. I doubt if

Sir David Lees, who earns £330,000

at GKN, wants to move to TI Group

just because the top job there com-

As for Ben & Jerry's, it was all

very well if Ben Cohen himself had

a small salary, because he has a big stake in the business. But for a new

CEO to run a thriving company as a

wage slave, earning what in the US

A scurrilous story in the tabloid

is peanuts, may be pushing it.

mands more than twice as much.

buying that at its cut-price rate.

Age, socially aware company is just had lunch with Howard Davies

structures which harmonise with, but are not part of, the political process," he said.

The Cipfa paper suggests that non-executives in the public services should play a bigger role in reviewing the systems of internal control, financial or otherwise. They must ask questions about the balance of power and authority in the organisation, ensuring that no single individual wields unfettered

power.
They should ensure that their own roles are properly defined, and that there is a clear understanding of which decisions must be taken at board level. And they are responsi-ble for ensuring adequate systems of internal control, monitored by effective internal and external audi-

Non-executives also need to pro-mote greater openness in the public services they are responsible for, said Hepworth. He believes that exposing the public sector to competition has made it more secretive.

"The competitive threat has made managers less willing to disclose information and discuss problems with others," he said.

Yet openness is central to good corporate governance, as Sir Adrian reminded the seminar. "It is essen-tial if the public are to have confidence in the organisation," he said. If non-executives are to fulfil all these tasks effectively, they need to understand the wider public interest issues involved in the delivery of public services, according to Hep-worth. Public bodies must work within an ethos that stresses impartiality and equity as well as effi-ciency and effectiveness.

The requirement of equity, for example, implies fairness in the dis-tribution of scarce resources and equality in the treatment of customers. Training may be required to introduce those with no experience of public-sector management to the norms of behaviour expected of

Hepworth's hope is that public services will draw up their own equivalents of the Cadbury code to promote good governance in ways that reflect the unique features of each service. The National Health Service has already published a draft code for consultation.

A similar inquiry is under way among housing associations whose board members - all unpaid non-executives - now handle large amounts of public money and raise impressive sums on the capital mar-

However, better governance in the public services may also require a greater commitment from nonexecutives. Sir Adrian warned the seminar that outside appointees may need to commit more time than many currently do if they are to provide the necessary monitor-ing. They should also be subject to tough assessment of their performance, he added. "If someone is not pulling their weight on the board, the chairman should take action passengers drag down the whole

Those invited to join the boards of bodies delivering public services can expect much closer scrutiny of their performance in future, with increased expectations of their responsibility for ensuring good corporate governance.

*Corporate Governance in the Public Services. Cipfa, 3 Robert Street, London WC2N 6BH, £12.50.

who drew my attention to a News of

the World story claiming that the

woman who by day organises the vol-au-vents for the VIP guests at

the CBI is by night hiring out strip-

pers. The only flaw in the story is

that the woman in question is not

exactly a "CBI boss" as stated. but

an employee of the contract cater-

It says much for Davies that he

can see the funny side of a story

that claims CBI stands for "Crum-

pet, Bonking and indecency". Indeed he thinks the story consider-

ably more accurate - and certainly

more amusing - than a perfectly credible tale in The Independent

newspaper last week. That claimed that the CBI leader was backing

Tony Blair for the Labour leader-

ship. Let us hope that Blair is also

amused when he finds out that

ing firm used at Centre Point.

DESERT ISLAND MANAGER John

Monks

John Monks, 48-year old general secretary of the Trades Union Congress, is not looking forward to his time on a desert island. A modernism who is trying to reverse years of TUC decline, he would not, however, seek to direct events back in the office from the end of a telephone. "I'm one of those who believes out of sight out of mind," he says:

How would you cope with

tive got a good strain of -Breliance, which means I like sking the hills. Fd be pretty released thinking out things. But, after a few days I'd get bored with my own company.

If you could take one person with you who would it be? "I have to say my wife, who would go beserk if I said... anybody else. But if I could one wher person it would be a shipwilght or somebody who civilization est me back to

One lating? "A Portacebin for a degree of comfort. I like roughing it for short periods but after a couple of weaks I'd get tired of sleeping

What siddlines item would you need for the beachside office, part from a far or a telephone! "A radio funed to the World Service: I'm a news junkie. I would probably be anxious about not being in bouch but I don't think that I'd have any influence on the course of history, or the THC while I was away.

How would you keep you self occapied?

occupied?
To like to learn to play the plano and improve my tennis. I'd also try and polish my writing skills and plantage write a novel set in provincial England, a hischen sink of the 1908, about a young person growing up in a town that was a lift less grimy than where I was brought up but where there are less opportunities then in the 1960s."

An after dinner film? Can Linke two please? First. Some Life it Hot, with Jack Some Like it Hot, with Jack
Demonic Tony Carlis and
Bardyn Monroe Lean watch
that asserted times a way. Also
flux that improves with
windship is For All told Jack
with Poter Sellers I find the
Characters time affractive
every time I see Sign.

One book!
The one that bears re-reading and has had sale about of influence on my time is Therefore of Wrote, which has read at 1.
Whenever his angestes his social charge gets, indeed, he stading that the book designations are and I get stank are appair.

Manier
The least much from Money's epecies at the moment Area saffing Wagner for any old age.

Test is the refer that the other year manife. So I would be later reached about noon ben. I'd enjoy sould read alle and a couple of bottles of manifestations.

List Wood

Davies is less worried about the CBI being publicly associated with girls Amid so much evidence of mean ming. He also shouted at a senior Jerry's, the Boston ice cream press linking strippers and call girls bosses of medium-sized companies, maker, is scrapping its relatively to the eminently respectable Conmanager for using his private toilet in bondage gear than with a preegalitarian pay scales in its search for a new CEO. The famous New how is it that there could be none at federation of British Industry turns sentable young man who may lead. the top? Are they all rumbled before out to be true - well, almost, I've the country one day.

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section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the abovenamed companies will be held at the Commanghi Rooms, 61 Great Queen Street, London WC1B 5DA on 28 June 1994 at 4,00pm for the purposes mentioned in sections 49 to 101 of the said Act. mentioned in sections 49 to 101 of me and and A list of the names and addresses of the company's creditors may be inspected free of een 10:07um and 5:00um at Coupen & Lybrard, St Andrew's House, 20 St Andrew Street, London BCAA JAY on 24 June 1994 and 27 June 1994.

DATED: 13 June 1994

on the company's jet. Having rejected him, and in the • The chairman of a chemicals **LEGAL NOTICES**

> H D Recoveries Limited (Security Innova as Hydro Dynamic Products Limited) H W P Resilications (Limited (Security Known as H W Peel & Co Limited estions) Limited (formerly known 21 Premier Grip Limited) gations Limited (formerly known as

Tuchodisc Limited)

NOTICE IS BEREBY GIVEN, parsuant to section 98 of the lessolvency Act 1986, that a MEETING of the CREDITORS of the abovenamed companies will be held at the Commagn Rooms, 61 Great Oscen Street, London WCIB 5DA on 28 June 1994 at 10.00am, 11.30am. 2.00pm and 3.00-m respectively for the purposes secretomed at sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge between 10-70mm and 5-00pm at Coopers & Lybrand, St Andrew's, House, 20 St Andrew

DATED: 13 June 1994 By order of the Board W H P Holmes

I P REALISATIONS (formerly as key Products Lip in administration

NOTICE IS HEREBY GIVEN, pursoant to section 98 of the insulvency Act 1956, that a MEETING of the CREDITURS of the above round will be held at the Connegle Routs, of Great Queen Street. Loudon WCIB 50A on 29 June 1998 at 12,00cm for the purposes greatewired in sections 99 to 101 of the said Act.

in sections with 10 for me gain Act.

A list of the names and addresses of the company's creditors may be unspected free of charge between 10:00m and 5:00m of Coupers & Lybrand, St Andrew's House, 20 St Andrew 22 June 1994.

25 June 1994.

DATED: U June 1994 By order of the Board

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Both in administrative receivership

NOTICE IS HEREBY GIVEN, pursuant to
section 98 of the Incolvency Act 1986, that a
MEETING of the CREDITORS of the abovenamed companies will be held at the Contangin
Rooses, of Great Outern Sireet, London WCIB

SDA on 27 June 1983 at 10/08m for the purposes
seentoned in sections 90 in 101 of the said Act.
A first of the names and addresses of the
company's creditors may be inspected free of
charge between 10/08m and 5 though at Coopers

& Lybrand, SI Anstrew's House, 20 St Anstrew
Suret, Landon ECAA 3AY on 25 June 1994 and
28 June 1994.

DATED, 13 June 1998

By Order of the Board

W If P Holime.

L G PRINTERS REALISATIONS LIMITED 11-DESIGERLY KNOWN AS LAMPORT GLISHET PRINTEINS LEMITED BERGION SPOS PAPER MICRI SILVATIVE BOTH IN ADMINISTRATIVE RECEIVENSHIP

NOTICE IS REREBY GIVEN, pursuant to extent 60 of the Insolvency Act 1980, that a MEETING of the CREDITORS of the shower named companies will be held at the Conneight Rooms, 51 Great Oncen Street, London W 18 DA on 29 June 1994 at 11 Utam for the purpose mentioned in sections 59 to 101 of the rand Act A list of the names and addresses of the company's creditors may be inspected free of charge beneves Historian and 5 flops at Couptin & Listrary, St. Andrew's House, 20 St. Andrew Merce, London EC4A, 3AY on 2" lime 1984 and 25 Jane 1984.

DATED: 13 June 1994 W II P Holzes

the Elizability Dies plans to publish a Survey on a second

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FT Surveys

FINANCE

man na

MANGER

hair.

Pension relief for the self-employed

If you are self-employed, in the UK, the second instalment of your income tax is due on July 1.

This payment will be the second for the 1993/94 assessment. For those who have been in business for a number of years, it is based on profit earned in the 1992/93 tax year. One way of reducing the tax bill is to check that you are happy with the level of contributions paid into your pension scheme. You obtain relief at your highest rate of tax on premiums paid into a personal pension plan but only up to a certain percentage of earned income. The percentage is determined by your age, as the table shows. The earnings cap for 1994/95 is set at £76,800, up from

£75,000 the previous year. The "carry back" rules allow pension premiums made now to be treated as if they had been made in 1993/94 so that the tax relief becomes available immediately. instead of being delayed until the tax due on the 1994/95 assessment is paid next year. Since the tax relief is granted at the rate for the earlier year, the carry back provision is useful if you have moved from being a higher rate taxpayer to the lower band.

Contributio	n limits
Age on April 6	% of eemings
35 or less	17.5
35-45	20
46-50	. 25
51-55	30
56-60	35
51-74	40

Eileen Doherty, tax manager at

Figures shown are for personal pensions for tex

Fiona Price & Partners, independent financial advisers, savs: "If you were a higher rate taxpayer last year and pay £5.000 into a personal pension plan now, you could cut tax due next month by £2,000. You need to complete a claim form and send it to your Inspector of Taxes with a receipt from the pension provider."

You cannot carry back any further than one year unless you had no taxable earnings in 1993/ 94, in which case you could go back to 1992/93. But no further than that. "Carry forward" provisions let you "mop up" unused pension pension contributions from the pest six years but you must have first used up all the present year's allowance Andrew Frape, tax partner with chartered accountant Wheawill

& Sudworth, says people often overlook the fact that life assurance premiums paid under a pension policy can also qualify for tax relief. The limit is 5 per cent of earnings ardless of age. Note that ti is not in addition to those limits listed in the table.

Do not, however, increase your pension contributions only to reduce tax. Consult a fee-based independent financial planner or your accountant to see if it fits in with your wider financial plans.

Scheherazade Daneshkhu

STYLE

Through a glass darkiv

What is it with Ray-Bans, exactly? How is it that they've become the optical equivalent of Levi's casual-dress Americana that no one can now live without? Heretical as this may sound, are they necessarily the best sunglass or even the ones with the most desirable label? Is there an alternative to trying to look like Tom Cruise or one of the Biues Brothers?

Well, if you want to get away from that Ray-Bans gangster/used car dealer look, but are desperate for a name with which to impress your friends, the most obvious alternative is Armani.

Armani sunglasses (as opposed to the cheaper Emporio Armani range) not only come in the latest styles (little lozenge-shaped James Joyce-style sunspecs being very popular at the moment). hut are also surprisingly durable. They carry a two-year guarantee - most for one year - use glass lenses (for better vision) with anti-reflective coatings, and will stand up to considerable wear and tear. Prices range from £115 to £180.

Serengeti and Vuarnet are also worth mentioning. Serengeti are American, traditionally-styled, well-made, appealingly low-key glasses with photochromic glass lenses, and are simed heavily at car drivers who want something that will cut out the glare but still allow them to see where they're going. Prices are between £89 and

Vnamet - somewhere between £50 and £75 - are French action men's sunglasses, extremely tough, extremely black and wrap around. They are ideal for skiing and other dynamic sports activities. But if you really want to be

different, you must hit California: this is where Oakley and REVO sunglasses come from - sunglasses which, if you are a serious fan. leave Ray-Bans standing REVO's frame styles are smart

but extremely effective. Their H20 range, for instance, has a glare-reducing treatment which allows fishermen and water sports enthusiasts to see through the surface of the water to what's

Moreover, most REVO's come not with the usual drab black or brown lenses but with those bearing the most stunningly coloured reflective surfaces, transforming them into objects of weird beauty. Expect to pay between £120 and £170.

Even REVO's, however, have a hard time matching Oakleys. Oakleys are science fiction: radically-styled one-piece wrap-around shades with detachable arms and nosepied available in an extraordinary, lurid rainbow of colours. £110 will buy you a complete pair, while a further £60 will buy you a different, interchangeable lens set.

They and the other brands entioned can be found at Sunglass Hut, Selfridge's and good opticians.



TRAINING

Computers off the trolley

Britain's most successful attempt at business sponsorship of schools, the Tesco Computers for Schools scheme, has been extended.

If you are one of the millions of parents who have been coerced by schools into collecting vouchers for computer equipment, you may be relieved to know that the closing date will now be June 26. Schools then have until July 15 to process

Computers for Schools is an undeniably successful commercial promotion, which analysts already nelleve has a noticeable effect on Tesco's sales volumes.

The retailer is into its third year of running the scheme, and it has already been copied, with WH Smith launching a scheme for buying school books, and Boots

offering sports equipment. But is it the way forward for funding the UK's often under-resourced schools? And does it provide voucher

collectors with value for money? Both of these questions are harder to answer. Take-up shows there is a demand. Last year 11,000 schools - out of around 40,000 in England and Wales - received at least some equipment under the

But schools now have to teach information technology as a theme running through the national for all pupils to use are a standard sight in primary schools. Tesco funding might not go that far. Cynics can also point to the massive basket-loads of Tesco

shopping which need to be completed to earn a computer. The cheapest computer available needs 2.500 £25 vouchers - or £62.500 spent at Tesco.

But the difficulty schools have in raising the money forces them to work closely with their local communities. And, teachers attest, that has encouraged parents to take a greater interest in schools, and, relatively painlessly, to help with funding.

Some schemes linking with local employers or community groups provide superb learning opportunities. For example. St Andrew's Academy in Saltcoats. has joined with a local company, Craigie Carpets, to start its pupils

And some schools managed amazing organisational feats. King Edward VI School in Lichfield. Staffs. last year claimed five computers, and three multimedia CD-ROM drives. It had collected 30,600 vouchers - £765,000 spent

John Anthers

Eating out

If you can stand the heat

or childhood banishment from the dinner table. It's just the opposite, however, at Toronto's stately King Edward Hotel, part of the UK-owned Forte chain.

set aside a corner of the King sumptuous seven-course dinner.

a gastronomic adventure, Higgins completes each dish and decorates the plates in front of his guests. In his thick Glaswegian accent, he introduces each course with an explanation of the ingredients and his reasons for choosing them. Guests are invited to stretch their legs between the sorbet and main course, with a guided tour of the

vinevards.

One recent dinner began with smoked Atlantic salmon marinated in chopped ginger, and served on a mashed potato well filled with capers, seaweed and parsley. The second course was Quebec foie gras garnished with Ontario asparagus spears, followed by pan-seared portobello mushrooms with scallops escargots on a gartic tomato broth. The main course was spiced. roasted venison cutlet with grilled yams. Dessert consisted of a poached pear on a pool of strawberry and rhubarb glaze, decorated with crisp almond fmille.

Higgins tries to tailor his menu to suit the group. On one recent occasion, when most of the guests an imaginative new flavour to gazpacho with biltone flakes.

The table is often booked by companies eager to make an impression on customers or out-of-town visitors. Perhans not surprisingly, recent appreciative diners have included senior managers from McDonald's, the America's biggest doughnut chains.

for groups of six to ten. Advance reservations are essential. The cost is C\$100 per person, plus C\$50 or

Bernard Simon in Toronto

Eating in the kitchen usually evokes images of a rushed breakfast

Executive chef John Higgins has Eddy's main kitchen for The Chef's Table, at which he serves a

But the Chef's Table is more than

Don't expect the decor of an unscale restaurant. A Sterling Vineyards poster hangs igroously from the door of a steel fridge. The white-tiled walls are filled with past guests' appreciative grafitti scrawled in gold marker pen. Conversation at the spacious, round table is occasionally interrupted by a loud bell at the nearby room-service

Higgins decides on the menu, often just a few hours in advance of the meal. Wines (one for each course) are chosen by the hotel's restaurant manager Andrew Laliberte. He makes a point of including at least one selection from Ontario's fast-improving

were South Africans, he introduced

hamburger group, and one of North

so for wine, depending on selection.

The King Edward Hotel, 37 King Street East, Toronto. Tel: (416) 863-9700, Fax (416) 367-5515.



Anyone for dinner?

Every restaurant correspondent hopes that when he, or she, sits down to their word processor it will inspire readers to go out and enjoy the restaurants that have been

So it is with a heavy heart as a tennis enthusiast (whose greatest claim to tennis fame is that he once had a most enjoyable hunch in Sydney with a man who, in his youth, played doubles with Rod Laver) that I sit down and list some of the restaurants in south London which may be useful over the forthcoming Wimbledon fortnight. A heavy heart because I hope, like so many others, that the weather is kind and that you are never forced indoors to use

them. But just in case... The following are listed by style of cooking and in declining order of

British: Jack's Place, 12, York Road, SW11, (228 8519); Ransome's Dock, 35, Parkgate Road, SW11, (223 1611); Sonny's, 84, Church Road, SW13. (081-748 0393); Buchan's, 62-64 Battersea Bridge Road, SW11, (228 0888); Connolly's, 162, Lower Richmond Road, SW15, (081-788 3844); (081-876 1855); Twenty Trinity Gardens, SW9, (733 8838); York's, 344 York Road, SW18, (081-877 1633); Newton's, 33, Abbeville Road, SW4, (081-673 0977); Alma, 499, Old York Road, SW18, (081-870 2537); The Ship, Jews Row, SW18, (081-870 | Nicholas Lander

vey's 2, Bellevue Road, London SW18, (081-672 0114); Le Gothigue, Trinity Road, SW18, (081-870 6567); Le Bouchon Bordelais, 9, Battersea Rise, SW11, (738 0307); Emile's, 144, Wandsworth Bridge Road, SW6, (736 2418) and at 96, Felsham Road, SW15, (081 789 3323), Cafe Rouge, 200, Putney Bridge Road, SW15, (081 758 4257); Pierre Victoire, 136, Upper Richmond Road, SW15, (081-789 7043), Italian: Riva, 169, Church Road, SW13, (081-748 0434);, Del Bungustaio, 283, Putney Bridge Road, SW15, (081-780 9361); Enoteca, 28, Putney High Street, SW15, (081-785 4449); Osteria Antica Bologna, 23, Northcote Road, SW11, (978 4771); Primadonna, 9, Battersea Square, SW11, (223 9737); C. Notarianni & Sons, 142, Battersea High Street, SW11, (228 7133); Pizza Express branches at 230, Lavender Hill, SW11, (223 5677), 305, Upper Richmond Road, SW14, (081-878 6833), 144, Upper Richmond Road, SW15, (081-789 1948), 14, High parade, High Road, SW16, (081-677 3646), Old York Road, SW18, (081-877 9812), 84, High Street, SW19, (081-946 6027), Indian: Bombay Bicycle Club, 95, Nightingale Lane, SW12, (081-673 6217); Samratt Indian Cuisine, 18-20 Lacy Ocean, 216, Trinity Road, SW17, (082-672 7740). Thai: Chada, 208, Battersea Park Road, SW11, (622-2209); Lena's Thai, 196, Lavender Hill, SW11, (228-3735).

9667); Brady's, 513, Old York Road,

SW18, (081-877 9599). French: Har-

"One of the problems is that a lot of companies feel it would be a good

idea to have drug testing but have not identified their objectives sufficiently," says Dr Diamond, who chaired the working party

which compiled the report. "But there is no point in going into this sort of business if you do not come

up with the results you wanted

A company may wish to test for

a number of reasons besides public

and employee safety. Other reasons

include improving the health status

of employees, raising performance standards, protecting financial

information, public relations and

corporate image or the attainment of a "drug-free" workplace.

launch a drug testing programme,

it must consider what can be quite

WHEN I SAID MAKE A

LINE I MEANT FORM

A QUEUE, RAWLINGS

Once a company decides to

in the first place."

HEALTH

Company route to drug testing

Most employees assume that what they do in their own time, and to their own bodies, is their own business. But issues of safety and health can sometimes justify company intervention in personal

One such activity which may concern employers is drug use. In the UK, the idea of testing employees for substance abuse in the workplace is fairly new. But in the US, where drug testing has been common since the mid-1980s, some 30 to 40m drug (including alcohol) tests are performed annually in about 4,000 laboratories

in the US. There, testing is not limited to industries where safety is the prime motivation for drug surveillance. In the financial sector, many companies test recruits and some will also test incumbent employees if they suspect them of abusing drugs or alcohol.

In the UK, there is currently very little information about the extent of drug use in the workplace, nor has anyone proved a definite correlation between drug use and performance. But an increasing number of companies are not willing to take the risk, especially in safety-sensitive sectors like oil and transport.

London Transport, for example has been conducting pre-employment testing since December 1992 and has now introduced unannounced testing of staff in safety critical. "The driving force for implementing testing was safety, but of course we are concerned about health," says Dr Pat Diamond, director of London Transport medical service. The Faculty of Occupational

Medicine of the Royal College of Physicians is due to publish a report this month* which provides guidelines for testing for substance abuse in the workplace. The report draws attention to

the importance of setting up an accreditation system for laboratories, training medical officers and providing information for medical undergraduates and general practitioners It also stresses the importance

of knowing why a company wants

to test for drugs in the first place.

while employees await test results, and the added cost of conducting unannounced tests on working "I think it is very important not

heavy costs for lab analysis, setting

up testing areas, lost working time,

to rely on a drug testing programme to prevent drug abuse," says Dr Diamond. "I believe that drug abuse policy awareness, discussion and a counselling service are really far more constructive ways for preventing drug abuse than testing

Occupational Medicine, 6 St Andrew's Place, Regents Park London NWI 4LB, 071 487 3414



Greybound Derby semi-final at Wimbledon last Saturday: Up the Junction leads Flag the Fawn into the first bend. Memories within the Derby reach back to 1927

his Saturday, one of the great English sporting events will take place in Wimbledon. It will not be set upon the green rectangles of the district's heartland, but in the urban streets which stretch beyond into unlovely south London, it will receive no front-page spread in Monday's newspapers, but a mere paragraph. It will last for less than half-a-minute. Its winner will be feted by no more than a few thousand fans. Yet this winner will bave been proved perhaps the greatest in the world in his or her sport; as surely a Wimbledon champion as that infinitely more celebrated one up the road.

The Greyhound Derby - the final of which is being run this Saturday night at Wimbledon stadium - is still a great sporting occasion to those that follow dog racing. But beyond them it does not resonate at

Yet the Derby still carries within itself the memory of its more giorious past and the knowledge that it is worth as much as any other test of excellence. It remembers when it was reported in newspapers with the unquestioning respect given to all great sporting occasions; when it was watched by crowds of up to 70,000; and when the dogs that won it were heroes to millions because people who scarcely understood the

SPORT: LAURA THOMPSON



Going to the dogs

sport itself could still understand its importance.

The memories within the Derby reach back to 1927, when the race was first run at White City stadium (remaining there until it was demolished in 1984). Just a year earlier, greyhound racing itself was first staged in England. It was the remarkable fortune of both the race and the sport that they should have been almost immediately hijacked by a dog named Mick the Miller. Plain and workmanlike, with a

streetwise glint in his eye, Mick's

success was such that he became a national celebrity, instrumental in raising annual attendances at race meetings from 5.5m in 1927 to over 20m in 1932. He was so famous that he was subjected to a rudimentary marketing campaign: he made a film and had his face embossed on the back of powder compacts. He also won the Derby in 1929 and 1930, a double that was not emulated until 1973; and won 19 races in succession, a record which was not broken until 1974. The definition of excellence that he described has

never been re-written. Above all, he gave to greyhound racing, very early in its history, an almost unlooked-for focus. The assortment of spectators that had followed the sport in the first couple of years had been woven together by Mick the Miller into a bewitched entity. This entity grew ever-larger as the sport, polished by its brushes against the world of fame, gradually assumed its familiar and seductive image of earthy, urban. English glamour.

By the late 1930s, everyone was going to the dogs: aristocrary, film stars, bohemians - all of them helplessly desirous of inhabiting that rich, real world of fun and money. By 1945, attendances at race meetings had reached 50m. From that dazzling peak they could only fall, as they did almost every year thereafter, they are now barely one-tenth of that magical figure; but the image of the sport had coalesced into something less destructable and the Derby, which would never again be attended by the crowds of the immediate post-war boom, would never lose the power that those

nights had bestowed upon it. However, the demolition of White City threatened to cut the links with the past contained within the race. Would it remember still how

Mile Bush Pride had won by an inch in 1959 or how the anti-post favourite, Hi Joe, had been kidnapped in 1965, or how Prince Philip's winning dog had been booed in 1968, or how Tartan Khan had won at 25-1 in 1975? Would it remember Mick the Miller, who had turned the race and himself into the stuff of It would - because it is through

the dogs themselves that the gran-

deur of the Derby persists. That is Mick's final legacy. From the moment that he revealed his great-ness, followers of his sport knew what a greyhound could be, should be, like; and from then on they have always been looking for another one like him, or better than him. His peculiar fascination was to have a great, unconscious speed which he controlled by a great and conscious intelligence. To see the desire to run being transmuted into a desire to win is still, 65 years later, the most thrilling sight in greyhound racing, and one of the most thrilling in sport.

Most dogs cannot create such a sight. And most of dog racing is workaday stuff, betting shop fodder, an endless sequence of numbers from which gamblers can formulate their meaningless equations. Yet the strange thing is that one never thinks of it in that way, once one has been to the Greyhound Derby.

itself." "Guidelines on Testing for Drugs of Abuse in the Workplace" can be ordered from the Faculty of

production of Euripides' tragedy, unime Steven Pimlott's

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Velcome to Burma

alled by the military to, has set itself the ng 600,000

Free ride in a tale of government regulation turned cozy, US federal inspectors placed on cruise ships to detect illegal mmigrants have been taking amily and friends along for free or reduced fares, reports the Associated Press: immigration and Naturalization

Service agents allowed the cruise lines to pay the inspectors' travel expenses without documentation. The INS is required to check cruse staps for allers as they reach US ports. But some left them with idle time aboard the recreational vessels or at foreign posts, then filed for

overfione pay.

Jameican investment

who backed out of a deal to

the 25 per cent equity gap created when Cockrane Investments Com of Toronto, Canada, with est up to \$14m in the

Around the world A pair of globetrotters are taking a holiday with a difference by visiting all 188 countries in the

world in just 80 days. Stuart Cheese and David New will be taking 170 flights and " travelling 80,000 miles by land. see and air in the record bid which they hope will raise 2250,000 for the United Nations Children's Fund.

every country on the globe was set by two American missionaries but it took them 41 years - from 1934 to 1975 - to complete the task,

The existing record for visiting

Children hurt

injured when a coach taking them bome from a church outing lost control,

police said today. The coach, carrying 31 children and 13 adults, ran across a put and nerrowly ided two cars before coming to a stop on a . grassy bank on the A380 at ction with the Torbay

Some children were treated in hospital for shool before being released; one 12-year-old girl wa

Breathless

A breekdown in the air-conditioning system of a high-speed train left passengers lit and gasping for air late last week. One traveller broke a window on the train, from Paris to the southern city of Tarbes, as heat and bad air became intolerable, French railway officials reported.

An unspecified number of sengers among the 600-700 making the trip were taken ill and required medical treatment when the train was forced to make an unscheduled stop for two hours.

Likely weather in the leading business centres

irlines have discovered a new area of competition - their executive lounges. Set apart from the general confusion of the airport terminals, and dedicated to business-class passengers, these lounges try to be both an office away from the office,

and a home away from home. They provide somewhere quiet to work, with plenty of telephones, fax and photocopying facilities, free drinks, newspapers and magazines, travellers to put their feet up. And

Within this framework, however, there are many variations, as exem-plified at London's Heathrow air-

port (see table). The Servisair executive lounge, for instance, provides facilities for passengers flying with Alitalia, iberia, TAP, Olympic, Finnair and Austrian Airlines, all in one not very large room tucked away along a corridor in Terminal Two. It comprises an adequate but rather plastic bar and coffee area, seating for about 40, three telephones, a fax and (when I looked in) a large, shoe-

Just lounging around

The windows have no views, the ceiling has a chilly chrome finish and you have to use the public loo in the corridor outside.

Compare this with American Airlines' Admirals Club in Terminal Three: the lounge is vast, with 225 seats, two copiously stocked bars, many telephones, vibro-chairs, two shower rooms and an immense maras a good Bloody Mary, so it pro-vides 14 individual, comfortable workstations, each with a phone.

The Admirals Club combines the indulgent (leather armchairs, darkstained wood, thick carpeting) and the utilitarian (large, bleak windows overlooking the apron outside, bare walls, the showers kept

ble entrance. Being American, it locked). It feels like a luxury believes that work is as important garage, devoid of personality.

This highlights a fundamental problem: it is hard to find an executive lounge that inspires a sense of well-being in its passengers for the brief time they are using it - a place combining business efficiency with the virtues of a good hotel. Qantas comes close to this ideal,

It has a music room with a £13,000 hi-fi, a massage and aromatherapy suite, and a large library. And it has a train set.

The train set is symptomatic of

all that is best and worst at Virgin.

ity, up the stairs in Terminal Three. Japan Airlines' Sakura class, on the

other hand, may have 150 seats, free

beer and a place to play cards, but

There is another option: Virgin

Atlantic, with its famous Clubhouse

facility, has a non-self-service bar, staffed by women in red uniforms.

the furnishings are austere.

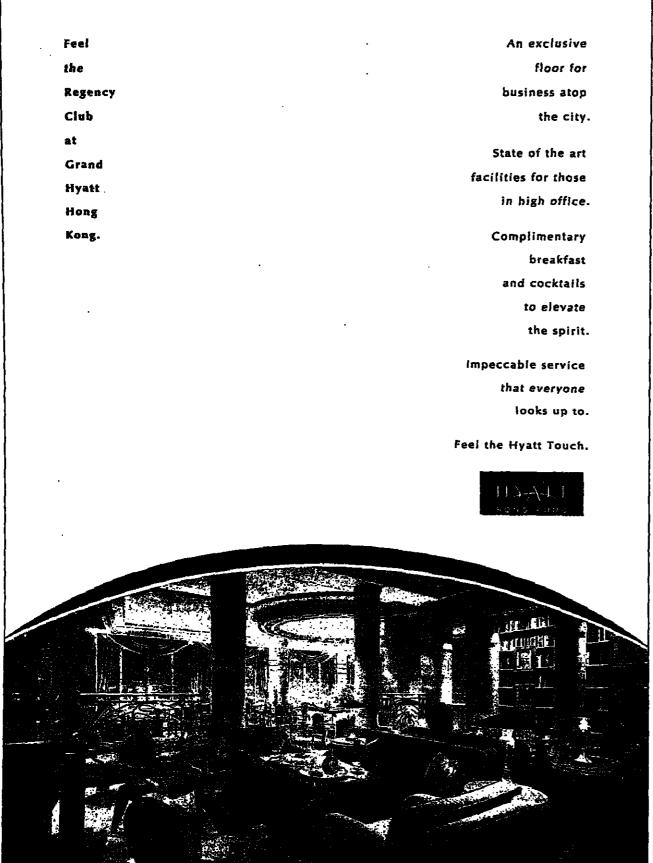
Where the truck makes a detora behind the bar, it fills up with spilled salt and sticky liqueurs. resulting in weeks of closure. But, as a Virgin employee explains, case frequent passenger is so keen on model trains that he changes out of his suit, mixes himself a drink and disappears underneath the train set

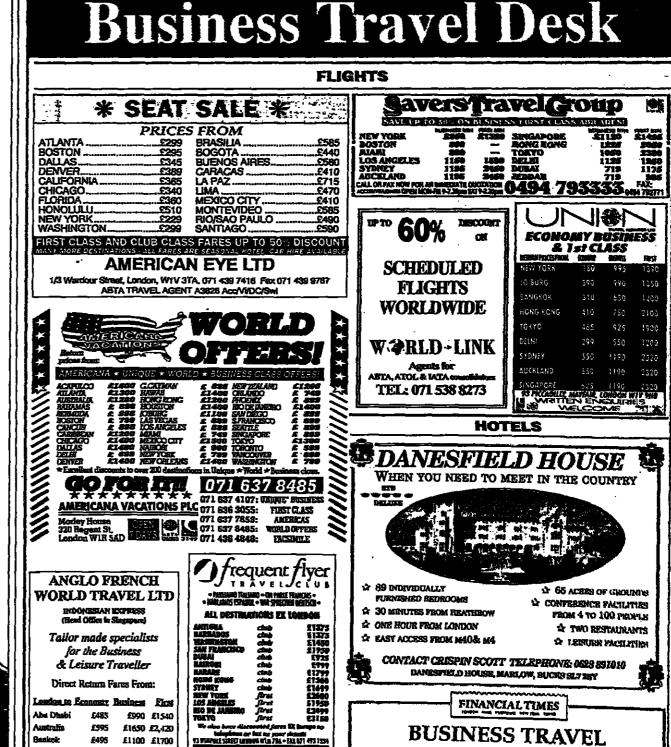
to fix it. Virgin, it seems, has subverted the whole idea of business travel, and tried to make it fun.

Charles Jennings



Executive lounge at Heathrow	Servisalr	British Midland	Air Françe & Lutthansa	Air Caneda	American Airlines	United Airlines	BA Executive Club	BA Oasis	Virgin	Cantas	Cathey Pacific	Japan Airlines
Seats	40+	40+	80	80	225	300	100	60	100	60	60+	150
Telephones	3	5	6+	9	Countless	40+	16+	6	Lats	4	4	2
Faxes/copiers	1 fax	1 tax, 1 copier	1 fax, 1 copier	1 fax, 1 copier	1 fex, 1 copier	2 faxes, 1 copier	1 fax, 1 copier	1 fax	2 faxes, 1 copier	1 fax + modern	None	1 fax
Loos	Outside, public	Outside, public	Outside, public	Private	Private	Private	Private, pleasant	Private, pieesant	Private, welcoming	Private, appealing	Outside, public	Private, spotless
Showers	None	None	None	None	2, locked	1, chilly	6, in adjoining Spa Pavision	2 quite pleasant showers	1 shower, 1 proper beth, lots of fun	2, also private, appealing	None	None
Periodicals	Healthy, multi- lingual selection	Standard British, plus 25 Newsweeks	Good, Franco- German and UK	OK; all dailies	OK	Thin, given the size of the place	Adequate	OK	Lying around; big library of books	Good British and Australian choice	Adequate	Heavy on Japanese megazines/papers
Work places	2	4	3	8, well segregated	14, a pleasure to use	16 decent booths, with phones	4 small desks	None	4. rather an afterthought	3, smell	None to speak of	None to speak of
Drinks/snacks	Adequate drinks; biscuits	Reasonable drinks; no real snacks	OK; long on alcohol-free beer	Good drinks selection but coffee machine	Two bars, copious drinks selection; light snacks	One bar, heavy on fruit juice, coffee and peanuts	Good danks selec- tion, appetising- looking snacks	OK drinks selection and fresh coffee	Tentific waitress- service ber; not much food	Very tempting bar, also with cakes, fruit and cheases	Thionieh selection of drinks and snacks	Thinnish choice. apent from Sapporo beer
Special features	Net curtains	Magnetic entrance key for users	6-seater conference room & separate 6-seater VIP room on site; neither with windows	None	2 vibro-massage chairs in the quiet room; daunting space	Siding glass entrance doors	Quiet room	Parter-Knot reciners; quet room	Music room; aroma- therapy; massage; hairdresser; games; TV room; may bump into Jerry Hall	Friendly welcome	Extremely friendly welcome	Children's room; room; small, windowless VIP room at discretion of JAL; Telerate





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Barclays in-house revolution Designers fear Ladas

Barclays Bank is accelerating in-house multimedia developments designed to keep it competitive in electronic banking and take it into new business

It has been shaken by the speed with which the major elecommunications companies have managed to provide acceptable multimedia services, such as video-on-demand over conventional telephone lines. Now it is planning to have its first interactive trials in some branches by the end of

the year.
The bank sees VOD as the model for a range of new, electronically-delivered services which will transform retail and wholesale banking over the next few years. Among the possibilities are a virtual end to branch banking and its replacement by video kiosks

such as catalogue shopping in addition to current account

These threats are not new. What is new is the speed with which possibilities are becoming realities. Barclays senior management is aware of the urgency. Chairman Andrew Buxton is insisting the bank's 70 top executives take multimedia awareness training this

Joseph De Feo, head of information technology at Barclays, says: "We thought we had time. We planned to have the programme motoring by 1996-97 based on our estimates of the investment in infrastructure the telcos would have to make to deliver these services. They made faster progress. Here and in the US, the telcos can provide video-on-demand over the existing telephone network. We don't have five and interactive television offer- years now and this is

putting pressure on develop-Barclays has its own multi-

media unit, part of Barclays Network Services. It has a staff of 15 and a budget of over £1m a year. It is managed by Anwer Shah, an experienced multimedia expert formerly with Sony of Japan and VideoLogic, the UK electronics company. De Feo believes that only Citibank of the US is taking a similar approach to multimedia. The group has already developed some pioneering products through collaboration with partners - an electronic shopping and banking kiosk with the Italian San Paulo bank, an electronic shopping catalogue through a project part funded by the European Commission -but its principal object is to prepare Barclays for the elec-

tronic future. De Feo says: "Our intention is to have the know-how inside judgments about the right avenues for us to develop; smart telephones, interactive television, or electronic

Barclays is in close discussions with all the major multimedia players, British Telecom, AT&T, Mercury and the computer suppliers. An internal programme, code named "Columbus" is looking at the future: which suppliers the bank should form relationships with, which joint ventures it should pursue, which areas it should exploit first.

De Feo says that organisations like banks will have to think radically about how mul-timedia will affect them. They will no longer control the delivery channel because customers will no longer go physically to branches. So he believes Barclays should play a part in the new "channel", in the provision of software

the customer and a broad range of multimedia services. These special computer systems will be a critical part of the delivery mechanism, carrying out a range of services on behalf of the customer. Seeking out a new car from a dealer's database automatically, for example, securing the best insurance and settling the deal through electronic funds

transfer

"Multimedia will make possible a range of services, but the customer will use an agent to gain access to them. The agent will be the brand. We would not want to get into agent work outside things we know about. But we believe we have to be a partner with the telcos or technology companies in developing agent activities. We could find that we will get as much in the way of revenues out of our participation in the agent business as we do out of

on the superhighway

Wanted: a top designer to champion the cause of excellence in commercial multimedia. Fears are mounting among designers and creative directors that the future of multimedia could be blighted unles programming quality is improved. There are worries that the technologists, "tekheads" in mediaspeak, are dominating developments while the designers. "creatives", languish on the sidelines, frightened and confused by the new

The danger, according to Steve Hinchliffe of Module Communications and multimedia adviser to the Designers & Art Directors

Superhighway will be cluttered with, figuratively speaking, Skodas and Ladas." He is dismayed that too many early attempts at

multimedia – encyclopaedias and catalogues on compact disc, for example - simply turned text on paper into text on screen. By comparison, the mail order retailer Freemans has

been demonstrating a multimedia version of its catalogue on interactive CD. of Barclays Bank multimedia unit (see accompanying article) and a grant from the European Union.

In Freeman's multimedia catalogue, models display the clothes on offer in full motion video; colours can be changed

free to registered owners of CD-I players as part of the

The D & AD's chairman, Anthony Simonds-Gooding of Still Price Lintas, and Hinchliffe are campaigning to raise awareness of multimedia among its members, arguing it must have a dramatic influence on the design community in the

next five years. The Freemans catalogue demonstration was part of a multimedia show they put on as part of this year's D & AD festival of excellence held in London to stimulate collaboration between

tekheads and creatives. "But it will have to be driven from the top," says

US evangelists put case at London forum

By Raymond Snoddy

You can already send electronic mail messages to the White House. Indeed, some of the senior Clinton administration officials responsible for trying to create a US information superhighway will communicate no other way. But from September the

White House will even start sending e-mail messages back unless of course the correspondent wants something a little more old fashioned. After all you can't frame an electronic message from the US president and hang it on the

Those who want a letter from the President can have that," explains David Lytel. of the US Office of Science and Technology Policy, But those who just want an answer to a question will get e-mail.

Lytel was one of a group of high-powered US superhighway specialists in London last week for a forum organised by the Programme on Information and Communication Technolo-

In a video conference from Washington, the shape of the information dream was spelled out by Michael Nelson, a principal adviser to the Clinton administration on the information superhighway. He forecasts that almost certainly by 2010, and probably by 2005, nearly everyone in the US will be linked to a national information infrastructure which will give Americans easy cost-effective access to any medium - voice, data, images or video, "From health care to education it will improve every aspect of our lives," said Nelson, who faced considerable scepticism from many UK specialists. These suspect future services on an information superhighway may, in fact, be delivered by a wide range of

different technologies. The US government estimates the creation of an information network linking every home will cost around \$100bn although some forecasts go as high as \$400bn. Most of this

gies, based at Brunel Univer-

investment could occur naturally and gradually as cable and television companies upgrade their networks and install more fiber optics. The burden is to be borne almost entirely by business, although the US government is already providing \$26m a year to help boost new applications - a sum that is now rising to \$100m. An additional push could also come from the US, by

making sure all government information is available electronically and priced at the cost of dissemination, rather than the cost of acquisition. Some of the American visionaries who want to see a broadband, high-capacity connection into every home do seem also to be placing an each-way bet on the Internet, the international electronic data network that already has some 20m subscribers and is said to be growing at the rate of 1m new users a month.

We love the Internet and we consider it a brilliant success," said Lytel, who believes it is at least a model of what a



President Clinton: bard copy on request

national information infrastructure could achieve. At the end of the London Forum a great deal of connecting still needed to be done between the almost evangelical American search for a global superhighway and British distrust for ideas raised and rejected in the early 1980s, when the then information technology minister Kenneth Baker tried to promote visions of "the wired city" of the

future. As Prof Nicholas Garnham. director of the Centre for Communication and Information Studies at the University of Westminster, put it "Chasing the concept of a information

superhighway is simply chasing a will o' the wisp. Garnham added that he found it a bizarre notion that American politicians were placing such emphasis on a superhighway, rather than on issues such as food and housing.

Martin Elton, another British professor, although now at New York University, suggested the information superhighway was a political slogan and as long as it remained undefined it could remain all things to all people. "Once, if ever, it is defined it would be likely to create losers as well as winners. Some interesting battles can be expected

Books: big change to the worm's eye view

By Louise Kehoe

Reading text on a computer screen may not have the same appeal as curling up on the couch with a good book, but electronic books", on CD-ROM discs, are rapidly gaining

Among the "best sellers" in this new market are reference works that take advantage of the "navigation" or searching capabilities of a personal computer to provide indexing far superior to printed texts.

Microsoft's Encarta multimedia encyclopedia does not look as impressive on a bookshelf as a collection of leather bound volumes, but it provides a more useful source of information for those who are already familiar with computers.

High school students, for example, may find the electronic "hypertext" - which allows the reader to skip quickly to related topics - a more efficient and inviting method of researching an essay subject than pouring through the pages of a conventional encyclopedia.

collection of CD-ROM reference books, called Bookshelf, including the American Heritage Dictionary, Roget's Thesaurus, the World Almanac Book of Facts, Barlett's Familiar Quotations, an atlas and other works on a single disc. As well as the text of these

books, Bookshelf includes sound to demonstrate the pronunciation of words, and animation and video clips to illustrate scientific concepts and historic events. The multimedia features of CD-ROM enhance the value of home reference books, such as the Mayo Clinic Family Health Book. For instance, if you are going to have knee surgery, the text provides a description of the knee joint, together with anatomical diagrams. Click on a symbol representing a camera and you can view a short video clip of what the surgeon will see inside your knee using

Text books, travel guides and do-it-yourself instruction books are also well suited to the CD-ROM format. Media Mosaic,

an arthroscope.

an Oregon software company, plans to publish interactive multimedia "how-to" guides for sports. Books That Work, a California venture, has teamed with the Hearst Corporation to expand its line of CD-ROM books on home improvement

The student of history will also find several CD-ROM publications of interest. Time Almanac of the 20th Century, published by Compact Publishing of Washington, DC, has been widely acclaimed for its combination of Time Magazine texts, graphics and video clips. Few would suggest that the CD-ROM will replace the paperback novel, but children's illustrated story books are being adapted. Young computer users can move through Broderbund's Living Books, such as Arthur's Teacher Troubles, at their own pace, listen to the story being read or click on words to explore their meanings through animated illustrations. For a generation reared on video images, CD-ROMs can make learning to

ARCHITE CTURE

In worship of Pugin

Colin Amery reviews the new exhibition at the V and A

ugustus Welby Northmore Pugin was a phenomenon. Born in 1812 he was dead only forty years later, by which time he had married three times, pro duced eight children, designed the interior of the Houses of Parliament – including every stick of furniture, built several Roman Catholic cathedrals and churches, and almost singlehandedly inspired the Gothic Revival in English architecture and decoration.

His manic energy was combined with intense discipline and a deep but simple convert's catholic faith. He was a genius with passion. But his work has never received the level of appreciation it

That is about to be put right

at the exhibition that has just

opened at London's Victoria and Albert Museum. "Pugin -A Gothic Passion" is sponsored by Pearson plc, whose interests include the Financial Times, and runs until September 11. The exhibition succeeds in being a sumptuous treat, while gently presenting a scholarly account of a life devoted to a creative mission. Historically Pugin suffered from the dislike

of Ruskin and the kind of intel-

lectual isolation that is often

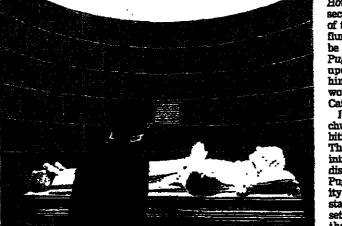
handed out to creative artists The exhibition at the V and A is exceptionally ambitious, not only because of its scale but also because it has involved years of original research and detective work to track down some 400 artefacts. To display them all in such a way that they can illuminate the progress of Pugin's life and work is not easy. The task of designing the exhibition was given to the architects John Outram and Jeremiah Sheehan, who have created from the fairly basic set of exhibition rooms a series of dramatic and evocative spaces. They have also devised a way of making great collages of Pug-

now, would surely have devised himself. The usual problem of architectural exhibitions is the absence of the actual buildings. In Pugin's case this is more than compensated for by the sheer proligacy of his furni-

in's patterns - using computer

technology in a way that

Pugin, had he been practising



Pugin exhibition: Gothic as an architecture of principle

wallpapers, materials and ceramics. Pugin must have dreamt patterns. This exhibition shows above everything else that he was a master of flat pattern, and that without Pugin there could have been

no William Morris designs. When you step into the first room you are confronted by a huge version of a drawing of a gothic church. This was drawn in 1821 when Pugin was nine. It shows what was in his mind as a child, and he went on to become a prodigy designer by fulfilling a commission for some furniture for Windsor Castle when he was only fifteen. Some of this furniture is on show, but the great Pugin sideboard was destroyed in the

Windsor fire of 1992 Pugin's early passion for the Gothic was not a stylistic obsession but a conviction that Gothic was an architecture of principle. It was the only archi-

ture, ecclesiastical ornaments. tecture that represented truth to materials and offered the opportunity of true craftsmanship as a form of Christian worship. The exhibition is liberally strung with texts and Puginian aphorisms - one of the most typical is his statement: "There is nothing worth living for but Christian archi-

tecture and a boat." The sea and sailing were his other passion and from his home in Ramsgate he frequently sailed to London, or to France, for his sketching and antique collecting trips. He worked on board his various boats and always dressed in practical sailing clothes, even on land. He clearly responded to the ship-shape order of life at sea and he ordered his own extraordinary working life with as much precision as the

cantain of a ship. Pugin's greatest monument is the Palace of Westminster where he worked with Charles

Barry on the interiors and furmishings. The throne from the House of Lords dominates this section of the V and A. Much of the medieval mummery and flummery of Parliament must be put down to the effect of Pugin's Gothic dream world upon our legislators. Pugin himself said of his life and work: "I indulged in a sort of

Catholic utopia."

It is his influence upon the church that provides the exhibition with its finest display. The re-creation of a church interior is at the heart of the display - you can rest on a Pugin pew to absorb the quality of the sort of ecclesiastical stage set that he saw as the setting for the Mass. It is more than a medieval revival because of the intention behind it to convince the emerging nineteenth century that heaven was going to be a Gothic dream. The quality of embroideries here is incredible. Beyond this Gothic extravaganza lay a lot of stern messages - and these are most often realised in the furniture which bears out Pugin's strictures about truth to materials and simplicity of construction. It will come as a surprise to discover that Pugin was the pioneer of "flat-pack" furniture. There are some tenuous links made by the V and A with 20th century designers, who may have learned from

Pugin - I suspect most of them had never heard of him. You end your tour of the exhibition with a visit to a reconstruction of the Medieval Court from the Great Exhibition of 1851. This does not succeed as well as the rest of the exhibition, perhaps because the whole of Pugin's life and work is itself such a miracle that the display of it at the V and A deserves the title of a great exhibition for itself.

The exhibition is open from 10 00 to 17 30 Tuesday to Sunday and from noon to 17 30 on Mondays, until September 11. There is no catalogue as such but a special book of essays has been published by Yale University Press to coincide with the show - price £19.95. A private view of the exhibition for Financial Times readers will be held on Thursday, July 14 at 6.30-8.30. Tickets, £10 each, from Louise Gordon-Focusell on

THE WEEK AHEAD **DIVIDEND & INTEREST PAYMENTS**

TODAY Alcan Aluminium \$0.075 Aquarius Plus Clird, Sec. FRN 2000 \$252.78 Assoc. Brit, Ports 11%% Bd. 111 2593.75 BP Am. 91/2% Gtd. Nts. '98

£95.0 BP Cap. 101/2% Ann. Nts. '94 \$168.30 Burmah Castrol Cap. 9½% Cv. Cap. Bd. '06 £47.50 Enron \$0.1875 Essex & Suffolk Wtr.101/2% Db. 94/96 25.25 Do. 31/2% Perp. Db. £1.75 Do. 4% Perp. Db. \$2.0 Do. 5% Perp. Db. £2.50 GMAC Australia 114% Nts. '96 A\$117.50 Hemlo Gold Mines C\$0.15

Herring Baker Harris 1p Italian Int. Bk. Sb. FRN '98 \$183.26 Italy (Rep. of) 31/2% Nts. '01 Y14479.0 Japan Air. 4.6% Bd. Jun. 98 Do. 8% Gtd. Bd. '96 \$400.0 Kobe Steel 7.1% Bd. '98

Y710000.0 Marubeni 4.3% Nts. '97 Y430000.0

Do. 4.6% Nts. '98 Y460000.0 Mitsui Toatsu Chems. 5.8% Bd. '96 Y580000.0 Do. 5.85% Bd. '97 Y585000.0 UK COMPANIÉS

Aegis Grp., 2, Eaton Gate, S.W., Bodycote Int., Holiday inn Crowne Plaza Midland, Peter Street, Manchester, 12.00 French Connection, 1, Old Burlington Street, W., 11.00 Finals: British Steel Critchiey East Midiands Hect.

Pletcher King Pliot bny, Tat. Suffolk Water Brooks Tool Eng. Electra kw. Tst.

■ TOMORROW COMPANY MEETINGS: Bisichi Mining, 30-34, New Bridge Street, E.C., 12.00 English National Inv., 3. Finsbury Avenue, E.C., 12.00 Wellington Street, Leeds, 11.00 Lep Grp., Berbican Centre, Barbican, E.C., 11.00 Olives Property, 33, Wigmore Street, W., 10,00

Mount Charlotte Invs. 1034% 1st Mtg. Db. '14 £5.375 NT & T 81/2% Nts. '97 C\$85.0 Osterreichische Kontrolbank 10% Gtd. Bd. '94 C\$100.0 Sumitomo Metal 5.65% Bd. '96 Y565000.0 Do. 5.75% Bd. '97 Y575000.0 Sumitomo Realty & Dev. FRN '96 Y67236.0

Suter 5.8p Yasuda Tst. Asia Pacific Fltg/ Fxd. Rate Gtd. Nts. '02 \$2142.29 Yasuda Tst. & Bk. Fitg. Rate Gtd. Nts. 2000 \$97.0

TOMORROW Air London Int. 1.60 Blue Circle 101/2% Cv. Cap. Bd '05 £262.50 Five Arrows Chile Fd. \$0.60 Jupiter European Inv. Tst. 0.7p Woolwich Bidg. Scty. FRN '99

WEDNESDAY JUNE 22 Barclays Bank 9% Bd. '96 Bristol & West Bldg. Scty. Snr. Var. Rate Nts. '94 £132,33 CRT Grp. 0.75p Federal Business Dev. Bk. 9% Nts. Jun. 94 Ecu90.0 Halliburton \$0.25

Shires inv., 41, Tower Hill, E.C.,

LAWS Grp. A IR1.15p Lasmo 10%% Db. '09 £5.1875 Marine Midland Banks Fltg. Rate Sb. Nts. '09 \$134.17 Nationwide Bldg. Scty. Sb. FRN 2000 £153.44 Do. Sb. FRN 2004 £141.78 Newcastle Bldg. Scty. 10%% Perm. Int. Bearing £53.75 Standard Chart. Und. prim. Cap. FRN 268 52 Waterford Foods IR1.64p

\$387.50 Do. Class A2 \$214.23 Devenish (JA) 1014% Db. 117 £5.125 Eng. National Inv. Prf. 11.2p Do. Dfd. 8.75p Govett Strategic Inv. Tst. 2.65p Italy (Rep. of) FRN 2000 \$173.78

THURSDAY JUNE 23

Aircraft Lease Sec. Class A2

Leeds Perm. Bldg. Scty. Sb. Var. Rate Nts. £148.40 Marine Midland Bk. Fitg. Rate Sb. Cap. Nts. '96 \$134.17 Mercury Keystone Inv. Tst. Midland Bank Und. Fitg. Rate Prim. Cap. Nts. \$252.78

Kewill Systems King & Shacson Shanks & McSwa Smith St. Aubyn

Hardys & Hansons Lovell (YJ) Second Cons.

■ THURSDAY JUNE 23

Cluff Res., Royal Automobile Club.

Lesos, 1.00
Jackson Grp., Seckford Hell Hotel,
Woodbridge, Suffolk, 12.15
Moss Bros, Institute of Directors,
116, Pail Mail, S.W., 10.00

Scottish Mortgage & Tst., 1, Rutland Court, Edinburgh, 11.00 Towles, Queens Road,

Loughborough, Leice., 11.30 BOARD MEETINGS:

89, Pall Mail, S.W., 2.30 Farmed Elects., Queens Hotel,

Wagon Indil. West Tst.

First Leisu

Leeds, 1.00 Jackson Gr

Moss Bros 5.5p Skipton Bldg. Scty. Sb. FRN 2000 £30790.41

Thornton Asian Emerg. Mkts. Inv. Tst. 0.5p Woolwich Bldg. Scty. 9%% Fxd/Fitg. Rate Nts. '95 £27.34 FRIDAY JUNE 24

read books good fun.

Am. Cyanamid \$0.4625 Anglo Am. Coal R3.50 Britannia Bldg. Scty. FRN '97 £135.32 CSC Inv. Tst. 4p Dawsongroup 3p Espirito Santo Fin. \$1.30 Furukawa Elect, FRN Mar. 98 Do. FRN Jun. 98 Y68680.0 Hercutes Inc. \$0.56 Manakin Hklgs. 30p Manchester 3% Rd. Cons.

Do. 4% Cons. Irrd. £2.0 Met. Water Kent Wtr Works 3% Db. £1.50 Ocean Wilsons 3p Saehan Merchant Bk. FRN '95 \$573.0 Sage 3.65p

M SATURDAY JUNE 25 Densitron Int. 1p TSB Gift Fd. Ptg. Rd. Pf. 0.66p

E SUNDAY JUNE 26 Cookson Fin. 51/4% Gtd. Rd. Pt. '04 £4.01

Silentright Hidgs., Silentright Exhibition Centre, Salterforth, Colne, ME TODAY COMPANY MEETINGS: Lancs... 12.00 Yule Catto, 23, Great Winch Street, E.C., 12.00 BOARD MEETINGS: Haziewood Foods IWP Int. Manweb Sterling Inds. City Site Estates London & Chydeside Polar Quality Care Homes

Watson & Philip

■ WEDNESDAY JUNE 22 COMPANY MEETINGS: BMSS, 41, Tower HR, E.C., 10.00 Forward Grp., Hedging Lane, Dosthill, Tenworth, Staffs., 12.00 Radamec, City of London Club, 19, Old Broad Street, E.C., 12.00 Securities Tst. of Scotland, Saltire Court, 20, Castle Terrace, Edinburgh, Welpac, 222, Grays Inn Road, W.C., 11.30 BOARD MEETINGS:

Rothmans Int. Southern Electric Chyde Blowers

M & G Second Dual Tst.

COMPANY MEETINGS:

Bishopsgate, E.C., 2.30 Bilton, Uxbridge Road, Ealing, W., Danka Business Systems Grosvenor House Hotel, 68, Park Lane, W., 11.00 Derby Tst., Gros 68, Park Lane, W., 11.00 European Colour, Broadwalk House, 5, Appoid Street, E.C., 11.30

GBE Int., Newbury Road, Andover, Hants., 12.00 Cenwood Appliances, New Havant, Heats., 1.15 Ocean Wilsons, Great Eastern Hotel, Liverpool Street, E.C., 12.00 South Staffs. Water Hidgs., Green BOARD MEETINGS:

Finals: Azian Grp. Christie Grp. Bectric & Geo. Inv Shaw (A) Vistec

Fidelity Japan OTC & Regional

general meetings unless otherwise

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the

production of Euripides' tragedy,

r results a rate mystery thriller in an award-winning production from

conducts works by Brahms, Strauss

(4473 1300) Opera Comique Roberto Alagna

Amber Indi.

Carpetright Dartmore Inv. Tst.

IGITIPIUT JELLE VIUD. UTOTEI MENGIAN Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

Italy's player in a different world cup

Guy de Jonquières talks to Renato Ruggiero, who seems set to become the EU's candidate as founder director-general of the WTO

taly is not over-endowed figures equipped, by tem-perament and background, with a genuinely international outlook. Fewer still can plausibly present themselves as convinced free-traders. Exclude the many casualties of the country's political scandals, and the ranks look even thinner.

Renato Ruggiero is a rare

A former diplomat, trade minister and latterly Fiat's top international representative, he has spent much of his career negotiating in Brussels, Geneva, Russia and at world economic summits

As well as gaining an inside view of the global power game, he has picked up a working knowledge of half-a-dozen languages and been decorated by the British and Japanese gov-

He can also claim to be an advocate of an open world economy. He played a prominent role during a crucial phase of the Uruguay Round trade talks and was one of the first Europeans to back the idea of a more powerful World Trade Organisation to succeed the General Agreement on Tariffs and Trade.

In just over six months' time. that idea is due to become reality. The 64-year-old Ruggiero is now engaged in an energetic diplomatic shuttle to canvass support among Gatt's 123 members for his bid to become the WTO's founding director-gen-

The first declared candidate for the job, he has won enthusiastic backing from Sir Leon Brittan, the European trade commissioner, who no doubt hopes the Italian government will return the favour by supporting his own campaign for the commission presidency.

In recent weeks, Sir Leon has coached his man like a boxing promoter grooming a heavyweight for a title fight an analogy encouraged by Ruggiero's heavy-set physique and pugilist's appearance. If all goes to plan, his candidacy will be endorsed by EU leaders at their Corfu summit next week-

However, both Ruggiero and Sir Leon know that that will not be enough to win the prize. The players in international trade are no longer the usual old ones," says Ruggiero. "It would be wrong nowadays to suppose you have won the game if you have US and European support. You have to pay ittention to Latin America, Asia and Africa."

any developing coun-tries – which comprise four fifths of Gatt's membership - think that after decades of European leadership of that organisation one of their own should head

Brazil has already nominated Rubens Ricupero, its respected finance minister, and Carlos Salinas, Mexico's outgoing president, is testing the water, apparently with US encouragement. They may make a virtue of their national and regional affiliations.

Ruggiero, by contrast, has to go out of his way to prove that his origins are not a handicap - a task made no easier by



developing countries' suspicions about the depths of the EU's commitment to free trade. The new director-general will succeed or fail, depending on whether he represents not just one set of nations, but a much larger group," Ruggiero

He will have a responsibility to help developing countries enter the multilateral trade system in a real way and not as in the past, when there was trade among the rich and aid between the rich and poor. That situation has changed completely.

He is also steering a careful line on the links between labour standards and trade an issue which has sparked bitter controversy in Gatt. He says that those in the

west who seek to promote

stronger workers' rights world-wide need to recognise that the objective is best achieved by increasing the prosperity of poorer countries through free Such sentiments seem to have gone down well with the developing country representatives he set out to woo in

Geneva last week. "He seems quite folksy," said one Asian ambassador approvingly, while emphasising that the WTO contest remained wide open. Ruggiero believes his strongest credentials are his record as an effective negotiator and

These qualities, he argues, will be invaluable in the early stages of the WTO's existence, when the requirement will be for efficient management, rather than revolutionary

The top priority will be to implement the complex provisions of the Uruguay Round, which runs to 28 separate agreements and 27,000 pages of

Equally important will be

the proposed creation of stronger procedures for settling trade disputes. The effectiveness of those mechanisms will determine the WTO's political authority and, Rugglero believes, its success in per-suading its members - above all the US - to forsake bilateral trade weapons in favour of multilateral rules.

The importance of those rules will, he argues, become even greater as global economic change accel-erates and world trade policy focuses on new challenges. In the future, he says, the biggest will notbe to resist a relapse into 1930s-style trade protection, because liberalisation has already demolished so many obstacles at frontiers. That

step, he insists, is irreversible. Politicians, in Europe or elsewhere, who pretend otherwise are deluding themselves: "It would be a mistake to believe Europe can still choose administrator, and his commitment to act as "honest broker" between openness or protecbetween WTO members' differtion. Europe's options are closed. Only one is left - to prepare industries and their management for global compe-tition. There is no other way. We have already lost too much

In his view, the WTO's central task will be to organise a framework for that competition. The biggest threat Ruggiero sees is from regional trade blocs. Though the barriers around their markets are falling, he says, there is a risk that regions will try to use their political muscle impose trading rules on the rest of the world.

He also believes the WTO will need to take a lead in defining international competition policy disciplines.

'Until now, Gatt has been mainly concerned with the interests of governments. The future system must also take into account the attitudes of big multinational companies, some of which have sales bigger than the GDP of mediumsized countries."
Ruggiero is less forthcoming

about how that prospect is viewed by Fiat - and the several other big companies which he serves as director or adviser.

However, he insists that should he fail in his bid to become the trade system's global gamekeeper, he would be content to return to hunting with the corporate pack. "I have a position which satisfies me completely. I am not looking for a change of job." looking for this job."



Lamb to set up another 'listening bank'

Grumblers may complain that Britain often seems like a third world country, writes Peter Norman. But that is not why the World Bank is boosting its presence in London and installing a full-time senior official in its eyrie in New Zealand House this summer.

The Bank is sending Geoff Lamb, one of its high flyers, to the UK to build up ationships with Whitehali, the City, universities and non-government organsations and tap UK expertise on development issues.

By setting up a "listening bank" in the UK, the Bank hopes to strengthen its capability to deal with such thorny issues as development and environment on its home turf in Washington. A youthful-looking 50, Lamb was a close aide of and speech writer for Barber Conable, the Bank's president in the late 1980s. He is currently in charge of the Bank's policy on public sector reform in former Communist

countries and the Middle East. Lamb is no stranger to the British Isles. He is an Irish citizen, having been exiled from South Africa in 1965, and will be responsible for relations with Ireland in his new job. He was deputy director of the Institute of Development Studies at Sussex University

before joining the Bank. There are also family ties in London. Lamb is married to Caroline Atkinson, a former economics correspondent of The Times and daughter of Sir Fred Atkinson, the government's chief economic

adviser in the late 1970s. With the move to London, Atkinson will have to leave the IMF, where she is responsible for Italy and Greece. But a new career beckons - probably at the Bank of England.

Expansionist mood for Gérard Worms

Wheeling and dealing is part and parcel of corporate life at Suez, the sprawling French holding company; yet Gérard Worms, its chairman, can have greeted few deals with quite so much relief as last week's sale of Abellie Ré, the reinsurance business, to the SCOR group, writes Alice Rawsthorn. The deal marked the end

of three years of arduous negotiations over the disposal of Victoire, the French insurer that owned Abeille Ré and was recently sold to the UK's Commerci Union. It also marked a turning point for Worms hiroself who, having spent his first four years as chairman embroiled in disposals, is now free to

indulge in expansion. Worms, 57, is an easy man to underestimate, as his fellow French financiers now realise. His genial air and mild manner prompted some to dismiss him as a paler shadow of Jean Peyrelevade his former boss who is now chairman of the Crédit Lyonnais banking group. He did little to confound

his critics during his first few years at Suez when tussling with the task of instilling some sort of strategic direction into its yast and varied interests. But he soon showed his mettle by fiercely resisting the attempts of Peyrelevade (then head of Union des Assurances de Paris) to achieve an easy and cheap - takeover of Colonia, the German insurer controlled by Victoire.

The two men finally struck a deal late last year but Worms was generally seen as having struck the better bargain. He then went on to auction off Victoire and, having completed that task, can now settle down to convincing his critics that he is as good at buying as he was at selling.

Caio says hello at Omnitel

Francesco Caio, a 36-year-old former McKinsey consultant who has an MBA from Insead, has become the first chief executive of Omnitel Pronto Italia, which won the licence



to become Italy's second cellular telephone operator in March, writes Andrew Hill. Caio, a computer science graduate from the Politecnico di Milano, was head of the elecom and multimedia division of Olivetti, the Italian computer group which is the ead member of the Omnitel Pronto consortium. Other members include Bell Atlantic and Pactel of the US. and

Mannesmann of Germany. Omnitel Pronto Italia has pledged to invest up to \$100 in developing its network in the first two years, and expects to izunch its service

in the final quarter of 1995. The Omnitel Pronto Italia group learned that it had won the licence just before the polls closed in the Italian general election. Bertusconi's Fininvest was part of the losing Unitel consortium, headed by the Flat industrial group.

Saeki to lead Sanwa Bank

Though Japanese banks are still suffering from the worst loan crisis since the second world war, Sanwa Bank has taken the business community by surprise by moving up to second place in the list of the country's top earners, writes Emiko Terazono.

And behind this rise is Naotaka Saeki, who masterminded Sanwa's drive to cut costs and produce an early recovery in earnings. He takes over as president from Hiroshi Watanaba.

Some critics suggest that Saeki may be "too dry", implying that he disregards the old-boy network, which counts for much in Japan, but he has a strong following within the bank thanks to his straight talking. Having made Sanwa's the

largest domestic network, Saeki will now try to change its down-to-earth image engendered by its Osaka industrial base into that of a quality lender.

CONFERENCES & EXHIBITIONS

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cial Times and the Centre for th Study of Financial Innovation are arranging a high level conference on the luternational Equity Markets. The aim is to provide a highlevel forum for stock exchanges, regulators market practitioners and investors to debat the evolution and future structure of the international equity markets. Enquiries: Financial Times Tel: 081 673 9000 Fax: 081 673 1335

JULY 12 PART TIME WORKERS -FULL TIME PROBLEMS This conference focuses on problems facing employers seeking to expand their part time workforce. It offers practical vice on and solutions for imple part time workers strategy and for maximising the efficiency of a part time

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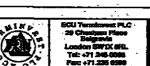
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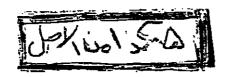


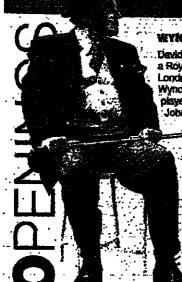






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WYNDHAM'S THEATRE

David Storey's 1970 play "Home". a Royal Court classic, returns to London tomorrow when it opens at Wynchem's. The parts originally played by Ralph Richardson and John Gleigud are now taken by Richard Briers (left) and Paul Eddington

(far right): This is the third . time Eddington has stepped into a Glelgud-created role.
Having appeared baside
Glelgud in the original
stagling of Alah Bannett's
"Forty Years On", he later Chichester, and two years ago, he and Heroid Pinter ook the Gleigud and Pinter's "No Mair's Land"



Sir Ian McKellen premieres his one-man show, "A Knight Cut at the Lyceum" on Broadway tomorrow. The show is described as "a mixture of stand-up, classical acting and gay activism." It is one of over 50 events in the 10-day Cultural Festival of Gay Games IV, which mark the 25th anniversary of the



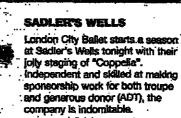
SPOLETO FESTIVAL

Italy's best-known and most hionable festival opens on Wednesday with a Poulenc doublebill, pairing his samed opera "Les mamelles de Tiresias" with a reconstruction of Nijkaska's original choreography for "Les Biches". Societo is small, hot and very: busy, but the programme offers something for everyone: the Martia Graham Dence Company, an Italiah-language production of Artiur Willer's "The Last Yankee", a new staging of Berg's "Wozzeck" and concerts on the plazza.



SAMOIS SUR SEINE

The 15th Festival de Jazz Django Reinhardt opens on Friday for th veekend. Held on an island in the river at Samols sur Seine, two miles from Fornalnbleu, the event is a mecca for gypsy guitarists from all over Europe: Both Manouche and Gitane tribes display their different accoustic atyles and Babik Reinhardt, Django's son, a



independent and skilled at making sponsorship work for both troupe



THEATRE

After decades of delay and dispute, Edinburgh is at last about to celebrate the opening of a theatre worthy of the city and its festival. The old Empire Theatre, built in 1928 and formerly used as a bingo hall, has undergone a major re-building. As the new Edinburgh Festival Theatre, it will seat around 1,850 and is said to have the largest and best-equipped stage in Britain, able to receive productions from any company in the world. The gala performance, on Saturday. will be Scottish Opera's "Tristen und Isolde".



Death throes or death wish?

ARTS

The demise of the British film industry is said to be inevitable. But, argues producer and director Ismail Merchant, we may only have ourselves to blame

tation: the British film industry, according to hand-wringing obituar-ists, is mouldering in the grave. Yet each year Britain manages to pro-duce at least two or three films that shatter box office records on both sides of the Atlantic Merchant Ivory did it with A Room With A View and Howards End. Last year it was The Crying Game and The Remains of the Day, and now it is Four Weddings and A Funeral Each year a steady stream of British films like Shadowlands, In The Name of the Father and Much Ado About Nothing achieve critical acclaim and commercial success. All these films compete triumphantly, both at the box office and at awards, with the best in the world. This does not seem to indicate even a symptom of ill health let alone death.

And how could it be otherwise when British cinema can draw from the best writers, the richest source material, the finest actors and excellent technicians? In addition, it has an enormous advantage over its European neighbours in sharing a common language and culture with the United States, so British films are immediately accessible to one of the largest movie audiences in the

The morticians of the industry films here. As a producer who has spent most of his life parting financiers from their money I believe I am qualified to state with some authority that there is money here. You have to go and get it, and it isn't always easy - but it is there. Despite all the recent vicissitudes London is still a major financial and commercial centre: it is also recognised worldwide for its pre-eminence in the performing arts. It shouldn't take a great leap of the imagination to connect the two and develop the possibilities. I have managed to fund not only British productions, but also Indian and American productions with City money. You have to work at it, but

it can be done. Film-makers in this country accuse the government of not adequately supporting and funding the film industry. Of course the government should provide incentives and subsidies, but it doesn't. So why does the industry look to a weak and ineffectual government for help when it has been made clear that the arts are not a priority and



Ismail Merchant (above) and left, defying the Jeremiahs, scenes from recent British

barely even on the agenda? The energy that goes into lobbying the government for greater state intervention is wasted, and could be channelled more productively into making movies. Film-makers must take responsibility for their industry, and become more aggressive in fighting for their films.

What has died in Britain is not the film industry, nor indeed any section of the arts, which are demonstrably alive and flourishing, but rather the indomitable spirit that once characterised this nation: the enteprising spirit that established empires, the unvielding spirit that stoically endured the hardships of war without a whimper of

self-pity. The passive, negative attitudes that are prevalent now, the constant mean of complaint, are not just tiresome but a tragedy for this country. Since I first came here some thirty years ago I have noticed, particularly in the past decade, a gradual deadening of the spirit of the country. Goals, ideologies and even thought seem to have died. It is as if a shroud has descended on this island and everyone is resigned to living in this cocoon instead of ripping it apart and letting the sunlight in. Even as Britain has united with Europe it seems to be isolating itself from its

When I work here I can tolerate the climate, the skittish fluctuations of the economy, the food, and even the ridiculous rigidity of shopkeepers who smugly slam their doors in your face punctually at closing time even if you are waving a fistful of money at them; I can deal with any crisis and calamity, but I'm becoming less tolerant of the pessimism and bleakness of spirit that has permeated every aspect of life here. Yet people still gravitate to Britain from every corner of the world seeking a better life. If so many foreigners can see how much Britain still has to offer why are the British so blinkered? When you start to believe that your country is second rate, you are only a step away from creating a second rate country.

Equally damaging is Britain's capacity for disparaging her own achievements. When we made A Room With A View in 1986 everyone nary success of the film. By the time we made Howards End six years later, critics were picking holes in Forster's work and questioning why we even bothered to film his novels. But those two films, together with our production of Mourice and David Lean's A Passage to India, brought 28 Academy Award nominations, 10 Oscars and a heap of other awards, as well as considerable revenue and kudos to Britain. No author in the history of cinema can claim as much. Anywhere else Forster would be celebrated as a national hero, a public holiday would be declared on his birthday and streets would be named after him. But in Britain his reward is to be picked over by soi

The British film industry should applaud its achievements and build on them. British cinema has the talent and the ability, but it needs to rediscover its spirit. The grave diggers should put their shovels away before the death of the British film industry becomes a self-fulfilling prophecy.

Opera/David Murray

Strauss back at Garsington

nce the home of Lady Otto-line Morrell and her hus-band Philip, Garsington Manor is now the mini-Glyndebourne of Oxfordshire. The Morrell gardens, more romantic than Glyndebourne's, are superbly kept up; and this year for the sixth Garsington Opera season the terraceauditorium has been expanded and equipped with a retractable canopy. Emboldened by the success of Richard Strauss's Ariadne auf Naxos last year, Garsington has mounted his Capriccio as the opening 1994 show. No mean undertak-

ing: old Strauss's "conversationpiece for music in one act" is in fact a substantial opera in length, singing personnel and orchestra. Ideally it requires more seasoned stars than Garsington can afford - and a singable English version (half the audience kept their eyes glued to the bilingual text, until it became too dark for reading). That said, however, this brave performance was full of sympathetic charm.

The conductor Elgar Howarth found just, unhesitating tempi, and balanced his modest Garsington Opera Orchestra with expert esse. Except in the lovely opening string sextet - but anyhow the producer-designer David Fielding chose to counter that with onstage distractions. Not content with the basic joke, that the Capriccio we are watching is the very opera that its participants are deciding to write, Fielding has made it into a practical dress rehearsal, with the "director" La Roche constantly fussing at the

That slightly spoiled Countess Madeleine's final monologue too. where she havers exquisitely between Words (the poet Olivier) Yet Edith Pritchard, tall and svelte, had a warm grip on its sense; all she lacks so far is the long-breathed amplitude for its most celestial phrases, Her Olivier was Nicholas Sears, with a disaffected touch of the Gary Oldmans and a sharp white suit; voice forceful at climaxes, dry elsewhere. When Flamand first appeared in the comfortable, spreading person of Richard Morton, I took him for the Major-Domo, but he displayed a nice lyrical intelligence.

If Glenville Hargreaves looked a bit senior for Madeleine's rou brother, his easy subtlety with the German words and the music surpassed everyone's. Contrariwise, young Patrick Donnelly has to play 30 years older for La Roche, but cleverly. Other roles were well filled; all very pleasing. In repertory until July 8, with Haydn's L'Incontro improvviso and

• Since the premiere of his Tryst at Peter Maxwell Davies' Orkney

Rossini's Barbiere di Stviglia (Car-

stnaton 0865 361 636)

Festival five years ago, James Mac-Millan - 35 this year - has become one of the most successful and sought-after composers of his generation. His 1990 Proms commission, The Confession of Isobel Gowdie, was a palpable hit; and at the beginning of last season the Philharmonia made him their Visiting

This week he conducted them in two of his pieces - respectively old and new, both very striking: Into the Ferment from 1988, and the trumpet concerto Epiclesis he wrote

last year for John Wallace. Both of them celebrate states of blissful intoxication, the one on malt whisky (inspired by a Burns ballad, "Willie brew'd a peck o maut") and the other on the mys tery of the Eucharist. MacMillan is a devout Roman Catholic with a musical sense of humour. Into the Ferment, a Scottish Chamber Orchestra commission, belongs to that burgeoning genre, music designed for a youth orchestra -here the excellent Kent County band - stiffened with some profes-

sional players. It is a model of its kind. It rollicks seriously, if not soberly; gives its younger performers plenty to do (notably a trio of reeling trombones); and deploys the grown-up players only where they count, not so as to reduce the band to mere accompaniment-status. The nine movements of Into the Perment are audibly well-argued as well as funny, and they amount to a little epic of unexpected breadth and

Epiclesis is expressly about transubstantiation, unlikely though that may seem. MacMillan's device is to set up two distinct musical one and a rich, grave one based on Gregorian chant, and let them interpenetrate little by little by osmosis.

The solo trumpet, wild and brilliant, serves as a first-person-singular protagonist (Wallace was superb), with a long, questioning cadenza-reverie. The large orchestra - six horns, a plethora of percussion - runs from sonorous mystical blows. The trombone trio of Into the Ferment acquires a tuba, the better to intone the candidly hymn-like material.

MacMillan's sophisticated rhythmic tricks take on a towering, exuberant force as the music moves into ecstatic dance-mode: not unlike Messiaen's comparable movements in spirit, but far less ritually formal.

It is a mystery why British composers should be at the fore in enhancing the meagre trumpet repertoire, but they are. Along with Birtwistle's Endless Parade and the recent Maxwell Davies concerto. MacMillan's Epiclesis sounds like a permanent gift to virtuoso trumpet-

ARTS GUIDE



BERLIN

Philharmonie Hartmut Haanchen conducts C.P.E. Bach Orchestra in tonight's programme of baroque symphonies and concertos (826 4727). David Zinman conducts the Berlin Philharmonic Orchestra on Wed, Thurs and Fri in works by Haydn, Weber and Schumann, with bassoon soloist Stefan Schweigert. The Federal President's concert next Tues, conducted by Carlos Kleiber, is already sold out (2548

8132) Schauspielhaus The Staatsoper Orchestra and Chorus, conducted by Haenchen, give a concert of works by Weber and Schubert on Wed and Thurs. Achim Zimmermann conducts Berlin Symphony Orchestra and Chorus in a Mendelssohn programme on Fri. Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra and Chorus on Sun in Mahler's Second Symphony (2090 2156)

OPERA/DANCE Deutschlandhalle Steven Pimiott's

arena production of Carmen conducted by Jacques Delacôte, runs daily till Thurs with alternating casts headed by Agnes Baltsa/ Malagnini and Simon Estes (3038 4444)

*

Staatsoper unter den Linden This week's highlight is a song recital tomorrow by Felicity Lott and Ann Murray. Anna Tomowa-Sintow sings the Countess in Jonathan Miller's production of Capriccio on Fri and next Mon, and Michael Gielen conducts the Berghaus production of Pelléas et Mélisande on Sat and next Tues (200 4762/2035 4494) Deutsche Öper Tomorrow's performance is the Schaufuss production of Swan Lake. Richard Margison and Julia Varady head the cast in Don Carlo on Wed and Fri. Karan Armstrong sings the title role in Katya Kabanova on Thurs and Sun (341 0249)

■ NEW YORK

THEATRE Broken Glass: set in New York in 1938, Arthur Miller's latest play is a short, discursive and compelling study of paralysis in the face of crisis (Booth, 222 West 45th St,

239 6200) Three Tall Women: a moving. poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She. Jordan Baker and the droll and delightfut Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200) Medea: Dame Diana Rigg gives a magnetic performance in this

production of Euripides' tragedy,

an import from London's Almeida Theatre directed by Jonathan Kent. Final week (Longacre, 220 West 48th St, 239 6200)

 All in the Timing: six sparkling short plays by David Ives add up to one enchanted evening (John Houseman, 450 West 42nd St, 239

 Ángels in America: Tony Kushner's two-part epic conjures disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200) Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782) Laughter on the 23rd Floor. Neil Simon's 27th Broadway play,

of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100) The Sisters Rosensweig: Wendy Wasserstein's most successful play to date, a comedy with serious undertones about the reunion in London of three American Jewish

about a group of writers trying to

come up with a new show, is one

sisters (Ethel Barrymore, 243 West 47th St, 239 6200) Kindertransport: Diane Samuel's drama in which a young German Jewish oirl is separated from her parents and brought to England to escape the war. A Manhattan Theatre Club Stage 1 production directed by Abigail Morris. Till June 30 (City Center, 131 West 55th St,

 An inspector Calls: J.B. Priestley's 1947 mystery thriller in an award-winning production from Britain's National Theatre, directed by Stephen Daldry (Royale, 242 West 45th St, 239 6200)

 Memily We Roll Along: a new production of the 1981 Stephen Sondheim/George Furth musical about three college friends whose relationship disintegrates. A York Theatre production directed by Susan Schulman (St Peter's Church. 619 Lexington Ave at 45th St, Citicorp Center, 534 5366)

 She Loves Me: the 1963 Bock. Hamick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307

 Carouset: Nicholas Hytner's bold, beautiful National Theatre Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200) Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard

(St James, 246 West 44th St, 239

DANCE/MUSIC

State Theater New York City Ballet's Spring season winds up this week with the Balanchine production of A Midsummer Night's Dream, daily from tomorrow till Sun Carnegie Hati The Solti Orchestral Project, a professional training

workshop, gives its second and

final concert tornorrow. Georg Solti conducts works by Brahms, Strauss and Bartok (247 7800)

Uria-Monzon in the title role, Sergey Larin/Alberto Cupido/Daniel Galvez-Valleio/Vinson Cole as Don José and Alain Vernhes/Gino Quilico/Harry Peeters as Escamillo. The conducting is shared by Serge Baudo and Cyril Diederich, and the staging is by Jose-Luis Gomez. This week's performances are tonight, tomorrow, Thurs and Sat (4473 1300)

 Vernal Bagneris offers a substantial tribute to Jelly Roll Morton at Michael's Pub, where Woody Allen continues his job as clarinet player every Monday (211 East 55th St, 758 2272)

PARIS DANCE

JAZZ/CABARET

Palais Gamier Paris Opera Bailet is currently showing two programmes of 20th century sics. The first, consisting of Harald Lander's Études (1952). Jerome Robbins' In the Night (1970) and William Forsythe's In the Middle (1987), has a final performance tomorrow. The second programme, comprising works by Antony Tudor, Paul Taylor and Kenneth MacMillan, can be seen tonight and Wed, then daily except Sun till next Tues. The Nureyev production of La Bayadère has a two-week run at the Bastille opening June 29 (4742 5371) Théâtre de la Ville Compagnie Philippe Genty is Inresidence from Sat till next Thurs (4274 2277)

Opéra Bastille Carmen runs till July 23 with changing casts including Marta Senn/Kathryn Harries/Beatrice Opéra Comique Roberto Alagna

and Nuccia Focile head the cast in Gounod's Roméo et Juliette, opening on Fri for eight performances, Michel Plasson conducts a staging by Nicolas Joel

Châtelet A new production of Wagner's Ring, staged by Pierre Strosser and conducted by Jeffrey Tate, opens with Das Rheingold on Sat (repeated June 29, July 2) and Die Walkure on Sun (repeated June 30, July 3). The cast is headed by Robert Hale, Sabine Hass and Karen Huffstodt. The final two parts of the cycle will be staged in October (4028 2840)

CONCERTS Salle Gaveau Tonight, Fri: Montserrat Caballé sings opera arias. Thurs, Sun, next Wed: Ruggero Raimondi sings II Maestro di Capella (4953 0507) Salle Pleyel Tomorrow: Maurizio Pollini piano recital (4561 0630) Saint-Denis Wed (Basilique): Mstislav Rostropovich conducts Orchestre de Paris and Chorus in Britten's War Requiern, with Elena Prokina, David Rendall and Benjamin Luxon. Thurs (Légion d'Honneur): Teresa Berganza song recital. Sun: José van Dam song recital (4813

Palais Gamier Sat: Gwyneth Jones, Gary Lakes, Yuri Bashmet, Roberto Alagna, Viktoria Mullova and others are soloists in a concert for the benefit of Aids research (4261 2970)

JAZZ/CABARET T.S. Monk, son of Thelonious, is

in residence this week at Lionel Hampton Jazz Club. (Hotel Meridien Paris Etolle, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

Monday: Berlin, New York and Tuesday: Austria, Belglum, Netherlands, Switzerland, Chi-cago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide. European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230 MONDAY NSC/Super Channel: FT Reports 1230. TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345 WEDNESDAY NBC/Super Channel; FT Reports 1230 FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230, SUNDAY

NBC/Super Channel: FT

Sky News: FT Reports 0430,

Reports 2230

Clinton v Friedman Marsh tion in the UK is already a reality. While there has on welfare

attitudes towards the poor have changed. Just over 30 years ago, Milton Friedman proposed a novel way of coping with poverty, which he dubbed the negative income tax". He argued that government should establish a "floor" standard of living. Families with incomes below the floor would receive credits while those with incomes above it would tray taxes in the normal way. In Britain, similar schemes are advocated by proponents of a basic income" for ali citizens.

Friedman saw many advantages in a negative income tax. It would be a transparent form of poverty relief since the uppropriate "floor" standard of iving would be openly ebated. It would be simpler to administer than the profusion of different benefits then availble. It would be non-judgmental: individuals would qualify simply by virtue of being poor. They would not have to plead their case before sceptical officials. Rough calculations even indicated the scheme would save money by cutting through layers of unnecessary bureau-

My purpose is not to argue that a negative income tax is a perfect - or even practicable -scheme. Studies suggest the work disincentives associated with any form of basic income would be far higher than Friedman assumed. In practice, some benefits would have to be bailored to the specific circumstances of poor families. My point, rather, is to underline the extraordinary change in attitudes that has occurred since the 1960s. In that optimislc era, even conservatives believed that a rich society such as the US could, and should, make unconditional

payments to poor families. Now consider the welfare reform plan published last week by President Bill Clinton. Set against the Friedman proposal it is a depressingly nuthoritarian document. Mr Clinton has no qualms about coercing welfare recipients, their children. The goal is to force young mothers (those born since 1971) into the paid labour force as quickly as pos-



MICHAEL PROWSE

sible. The plan approves of any kind of work except, of course, something as socially irrele-vant as childrearing. The state's role is not to provide a floor standard of living, but to act as an "enforcer" of disciplined work habits and respon-

The Clinton plan would impose dozens of new condi-tions and requirements for receipt of benefits. Mothers, including some with children as young as three months, would be required to accept any job offer in the private or public sector, no matter how uncongenial to the individual in question. If, after two years, they had not made a sufficient effort to find employment, or had proved unco-operative, benefits would be terminated. What would happen to families who run foul of welfare offices is not made clear. But since there are no plans to create state orphanages or other institutions, it seems that some children would end up in cardboard boxes.

Yet the public desire to crack

down on welfare mothers is so

intense that many Republicans and conservative Democrats last week dismissed the Clinton plan as a timid balf-measure. Nobody seems to have doubts about the proposed extension in the discretionary powers of public officials something that Friedman was anxious to reduce. The complaint instead is that the twoyear time limit is illusory because mothers who "played by the rules" - obeyed orders - would be allowed to remain in subsidised workfare proics, if they are to be believed would throw mothers and children on to the streets the min-

ute the two years is up.

What explains this seachange in attitudes: why are leftwingers such as Mr Clinton embracing policies that conservatives would have recoiled from in the 1960s? The nation, after all, is much richer and, therefore, more capable of pro-

viding an unconditional safety

There is no fully convincing answer. The shift partly reflects bitter disillusionment with the results of the "war on poverty" that began in the late 1960s. A haphazard system of means-tested benefits, which bore no resemblance to Friedman's negative income tax. was expanded. While possibly reducing material poverty, this appeared to aggravate the social pathologies associated with the urban "underclass": out-of-wedlock births, crime and drug abuse. By the 1980s social critics were complaining of a "cycle of dependency involving second and third

generation single mothers. This led naturally to the "new paternalism" of the 1990s: the notion that government must modify the behaviour of young mothers by imposing work requirements, dictating where and with whom they live and imposing fines in the hope of "reforming" their characters. If poor women could respond to market incentives. the argument ran, they would not be on welfare. Hence the need for training and discipline: today the preferred model for welfare is not Friedman's cash dispenser but the US Army, an institution that many argue has done more to help the underprivileged than

The Clinton plan is thus a child of the times. The fact that left-leaning Democrats are so keen to force people into paid employment - even young mothers who are raising children - is a barometer of the sour public mood. Friedman, in his way, embraced the permissiveness of the 1960s - the belief that a rich society should be tolerant of lifestyles that contravene middle-class norms. Ironically, Mr Clinton, a product of those years, is to that of the Victorian workhouse. And the public, like the audience in a Roman amphitheatre, is screaming for more. | lead to adulteration of quality.

any poverty programme.

been widespread support for its expansion, debate on how best to organise it and how to fund it is now gathering heat.

The proportion of 18-yearolds going into higher education has more than doubled in past 15 years, from 13 per cent in 1980-81 to 31 per cent this year. This growth has been engineered by the government, which had aims to raise the numbers in higher education to 33 per cent by 2000. Higher education in the UK now reaches almost as many 18vear-olds as in Germany (31 per cent) and the US (38 per

But such rapid growth raises questions over the quality of higher education, and whether the courses on offer are appropriate to today's needs.

They are not suitable, according to Professor Peter Toyne, vice-chancellor of Liverpool John Moores University, who suggests the system is out-dated. "We are at an important point in history where we are struggling to keep a system afloat which is based on past assumptions. If it's going to go further forward, reform has got to be radical," he says.

Many employers feel that universities in the UK, despite their recent expansion, are still organised along lines developed to educate a much nar-rower elite in the 19th century. They fear that universities do not take account of the growing demand from employers for a different, more flexible, concept of higher education.

For example, the Confederation of British Industry says in its report, Thinking ahead, published this month, that there needs to be more flexibility in universities so that they offer access to people at all stages of their careers, not just for three years after leaving school. "Higher education is, and must be seen, as a resource for those in employment to update their knowledge and skills as it is for young people," it says.

The CBI wants students to be able to transfer easily hetween universities, to take career breaks and to follow courses while working. It also wants the proportion of 18year-olds in higher education to rise further to 40 per cent. But Mr Tim Boswell, higher education minister, insists

standards". He recognises that the problem for policymakers is that extra flexibility might

Fresh formula for complex equation

John Authers on ways of making higher education in the UK more appropriate to greater numbers

attempt in the UK to square this circle. The Higher Education Quality Council, a self-reg-ulatory body of vice-chancellors which has government backing, published a report, Choosing to Change, which advocates a new, flexible sys-tem of academic credits and

Large degree courses would be split into discrete subject units, or modules. Each module would then be worth a fixed number of academic credits. This would create a "com-mon currency" for accumulating credits towards a degree regardless of whether the cred-its were obtained in conventional higher education or vocational training.

The report also recommends the creation of an "associate degree" mainly via vocational training. With extra credits this could be upgraded into an eventual honours degree, nor-mally gained by three years of purely academic study. The associate degree would also give students a qualification they could use to look for employment after only a short period in higher education; later, they could return to complete a superior, honours

Such a system is on the way. Around 85 per cent of UK universities now have some system of credit accumulation, or plans to introduce it. Agreeing a common standard should thus be possible.

To make this system work, the report, drafted by Professor David Robertson of Liverpool John Moores University, recommends that universities should also adopt a standard national transcript on which tutors and lecturers would fill in details of students' progress upon completion of each module. Thus students could transfer more easily from one university to another, while employers would have a better grasp of a potential recruit's university career. The CRI is keen

and believes it would enhance quality. According to Mr Tony Webb, the CBI's director of education policy: "Degree



courses should ensure individuals take control of their learning and develop their core skills. A final grade cannot capture this development adequately. It needs to be comple mented by a record of achieve-

But many in the academic community believe the HEQC report goes too far. For example Professor Robertson attacks some modular courses which have already been introduced in the UK as "phantom" arrangements. These split courses into modules, but "without necessarily permitting any greater internal choice or flexibility".

Several vice-chancellors have uplemented the "phantom arrangements" which Prof Robertson attacks, and fear that allowing greater freedom to "pick and mix" would lead

to weaker qualifications. Professor Ron Johnston, vice-chancellor of the University of Essex says his institution will introduce modular courses in 1995. But it will be for administrative convenience and to make life easier for mature students taking a degree while continuing a career. A core of compulsory modules will be maintained to ensure students do not avoid important but difficult courses - for example Chaucer in an English degree

Prof Johnston says: "A lot of students benefit from the traditional degrees even though they aren't equally desirable is that the possibility of a sustained three-year period in higher education which is linear and structured could be

or maths in an economics

squeezed out." Another who is nervous about the more radical suggestions of the HEQC report is Professor Mike Brown, chief executive of De Montfort University of Leicester, the fastest expanding university in west-ern Europe. He also has intro-duced modular courses but places limits on students

choices. "We would not want to encourage people that they could just take things off the shelf. We need them to do something which meets the marketplace's needs," he says. adding that American academics now seem nervous that choice has become too varied, and want to instal more control over the choices students

here are other reasons to fear that quality will be adulterated. Trying to ensure that credits are fully transferable between institutions means standards may sink to a "lowest common denominator".

Prof Robertson sets out to answer these objections. He wants more guidance for students, and a quality control "kite-mark" scheme for educational brochures, to ensure that students do not misuse their freedom to choose courses. Assurance of quality, he suggests, should be an institutional responsibility but it should be buttressed by a central evaluation service for academic credits, a consultative forum with professional bodies and employers and an annual conference on higher education and the labour market.

The higher education community will spend the next few months analysing whether these safeguards are adequate. Rigorous quality assurance, if it can be achieved, will be the key to making university expansion work for emp-

The government, in the form of Mr Boswell, welcomed the contribution the report has made to the debate and hinted at government support for the transcript proposals. But for now the interest of the higher education world is on how the government plans to fund the expansion in numbers due to resume in 1997.

The debate among politicians over who should pay for mass higher education - in particular whether students should bear some of the extra burden riculum reform and restructuring likely to be costly, such issues cannot be ignored for

hen it comes to Philippines, Guatemala and tion to performance. Enron developing, con-India, Enron International's Operations Corp. designs,

structing and operating natural gas projects around the world, Enron is world class. We proved that in 1993 by completing the world's largest gas-fired cogeneration power plant in only 29 months. Today, we're still moving full speed ahead by fulfilling yet another, different energy need --"fast-track" power.

Enron has just completed its second "fast-track" power project in the Philippines. In only 11 months we constructed and brought on line a 116 megawatt plant in Subic Bay. We now operate and maintain three facilities there, selling the power generated to the Philippines National Power Authority, For developing countries such as the

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first natural

gas major.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

In banks' interests not to offer dual role to accountants

From Mr Derek Sach. Sir, I read with interest Mr John Jackson's letter "Concerned by banking practice"

This bank has for some time pursued a policy of not appointing investigating accountants as receivers if, as a result of their investigation. they recommend receivership. This has certainly reassured customers that the accountancy investigation is in their best interest, and has led to a reduction in the number of recommendations to pursue

it is not always possible to do this because, for example, there are occasions when we are part of a lending syndicate, but in almost every case we do divide the roles with only a thry number of exceptions. Our intention is to appoint a

receiver only if there is no alternative course of action. and this is supported by the reduction in the number of receivers which we have appointed, down to 150 during

I support Mr Jackson's suggestion that the Institute of Chartered Accountants should consider its policy on this matter Derek Sach

director, specialised lending Royal Bank of Scotland, 67 Lombard Street,

From Mr Stephen Hazell-Smith. Sir, I read Mr John Jackson's letter with great interest. As a specialist fund manager in the very smallest capitalisation UK companies, I have personal experience of the pressure which banks can exert on company managements. I would be interested to hear why a firm of reporting accountants should not automatically be disqualified from acting as administrator or receiver. Stephen Hazell-Smith managing director, ... Rutherford Asset Manag

99 Charterhouse Street, London ECIM 6HR

Toyota plant's impact will extend beyond Midlands

From Mr George Barrett.
Sir, Your article, "Toyota
plant fails to boost Midlands economy" (June 15), gives a rather short-term view. It is important to stress that when our work was completed in February this year the first phase of the plant was only just moving to a second shift. The impact to date has been entirely in line with Toyota's

own commitments. When the investment was first announced, it generated what were, perhaps, rather unrealistic local expectations and concerns. Our study was commissioned precisely because there was lack of reliable evidence from which to project the impact of such a

However, it is important that we do not move from a position of unrealistic expectations to one where we are overly dis-missive. The plant remains one of the largest projects to be

attracted to the region, and the UK, in recent years. Only a limited part of its likely long-term impact has yet been

There is also the potential for the plant to exert a wider impact beyond the employment, income and trade links. It brings innovative training and recruitment policies which may provide useful models for

On a wider basis, Japanese quality demands are having an important impact on the competitiveness of the UK components supply industry. It also has to be said that the arrival of the plant has provided a welcome boost to confidence at a time which the regional economy was at a very low ebb. . George Barrett,

Ecniec Research & Consulting, Priestley House, 28-34 Albert Street, Birmingham B4 7UD

Tribunal is not best means of resolving City abuses

From Lord Spens. Sir, Lord Alexander of Weedon, in his address to the 1994 Commercial Bar Association, suggests the collapse of the second Guinness trial (among others) gave "rise to a sceptical view of the City" ("Bank chief presses for City battle on crime", June 16). He goes on to advocate a tribunal of City reg-ulators without juries to deal with "market abuse".

Lord Alexander can be for given for his relative inexperi-ence in the City and for his lack of knowledge of the facts of the Guinness trials; indeed I wonder if he is aware that what he recommends is exactly what occurred in those trials. Unknown to all but a few, a "Roskill" type tribunal was convened in December 1988 with a distinguished QC as chairman or judge and two equally distinguished lay assessors drawn from the senior ranks of City lawyers and accountants.

The purpose of this tribunal was to hear an appeal under the then Prevention of Fraud (Investments) Act 1958 from an order of the secretary of state removing the dealing licence from a registered licensed dealer who dealt for me in a number of transactions. Included in these transactions was the so-called Guinness transaction with which I was later to be indicted on charges of "creating a false market" and "breaching \$151 of the Companies Act 1985".

The evidence and judgment of this tribunal were kept secret by the government for some three years (for reasons that will become abundantly clear) and not revealed to the defence in the second Guinness trial until forced out of the prosecution on the evening of

the 54th day (the last working day before Christmas 1991). This fundamental and utterly relevant evidence showed that the 1988 tribunal had found that no false market had been created and no breach of \$151 had been effected. Evidence under oath had been taken from the then director of the Takeover Panel (something that did not hap-pen in the first Guinness trial). What is still, to me, surprising is that this evidence had not been disclosed to the inspectors investigating the Guinness affair nor to the Bank of England - both were in total ignorance, apparently, of this judgment and its affiliated evi-

I am satisfied that, had this evidence been made available to the first Guinness trial, it too would have collapsed and none of those defendants would have been convicted.

The scandal of the Guinness

trials lay in the almost total ignorance of City mechanisms displayed by the trial judge and prosecution barristers in fundamental areas such as stock exchange regulations and the Talisman settlement

Indeed, in so far as the Takeover Code was concerned, the trial judge was to interpret these rules himself with no regard to established precedents. He even went so far as to rule that the stock exchange definition of a "false market"

was quite incorrect. Lord Alexander should not be so sure that his system would come up with the "right" result – he might well be surprised. Spens Gould.

Frittend

CBI surveys a gremlin

From Mr Sudhir Innenicer. Sir, A gremlin seems to have intered Gillian Tett's thoughtful article, "Business survey fans found mainly in City" (June 15) on the Confederation of British Industry's business surveys. For the record, our distributive trades survey, which was published earlier last week, usually gets about 500 responses from a sample mailing list of 1,500 and not

15,000 companies as stated. However, the companies which participate in our surveys cover 15,000 outlets in retailing, wholesaling and the motor Sudhir Junankar,

associate director, economic

analysis, Centre Point, 108 New Oxford Street, London WCIA 1DO

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday June 20 1994

Hard slog in Russia

The government of Mr Viktor Chernomyrdin is making an unexpectedly valiant effort to stabilise the Russian economy. But the effort could easily fail and does, in any case, still fall far short of true stabilisation. If Mr Chernomyrdin is indeed a man with whom the west can do business, it makes sense to do the decisive business now. To wait may be to lose the

opportunity. As former head of a large Soviet gas enterprise, Gasprom, Mr Cher-nomyrdin has the political clout lacked by the younger reformers, Mr Yegor Gaidar and Mr Borls Fyodorov. What he lacked, was their understanding. But he does seem to have come a long way, particularly for someone who proclaimed early this year that the era of "market romanticism" was over. It was he, after all, who wrote in the FT last month that "it is vitally important that every member of the Russian govern-ment fully understands that a strong rouble is the indispensable condition for the revival of the Russian economy, and the Russian state as a whole".

So far has the government come that Mr Michel Camdessus, managing director of the International Monetary Fund, was persuaded in March to advance the \$1.5bn second tranche of the systemic transformation facility. Negligible in itself, this sum was an important sign of confidence in the Russian government. Nor has that confi-dence appeared misplaced. Monetary policy has been tight, while inflation has been kept down - to just 6.8 per cent in May, following 10 per cent a month between Feb-

ruary and April. Unfortunately, partly because of a 25 per cent decline in industrial output since last year, govern-ment figures show tax collection 15 per cent below budget in the

the European Union. It is possible

that liberalisation can still be

achieved if the Commission brings

payment of spending obligations, measures that are neither desir-able nor sustainable in the long term. Meanwhile, there are strong pressures for more spending from lobbies for the military, the military-industrial complex, agricultural interests (strongly represented in the Duma) and the northern territories.

The limited success so far may well not last. But it would not be good enough, even if it were to. Output has already fallen so far that successful stabilisation might bring a strong turnround in the economy next year. But first there needs to be not just a prolongation of the present long drawn out squeeze, but a serious effort to break inflationary expectations.

What is needed, in fact, is true

stabilisation. That could be achieved through a programme to peg the exchange rate, combined with elimination of inflationary financing of the budget deficit More funding would be needed than is now available. Much of it could be raised domestically, some in higher domestic revenue and some in domestic borrowing, but a precondition would be more western finance. Some 4-5 per cent of Russian gross domestic product in external assistance, for two or three years, might do the trick. The bill for the west would be perhaps \$14hn a year.

Judged by aid budgets this is a large sum. Judged by the more relevant standard of military spending, it is small. What needs to be understood is that Russia is not merely an aid problem. Stabilising its economy offers probably the most significant current opportunity to make the world a better place. Mr Chernomyrdin's determination offers the west yet another chance to help, but it may not last. While such an opportu nity may come again, it would be

first quarter. The deficit has been sheer folly for western kept under control mainly by non- act on that assumption. sheer folly for western leaders to Pension funds Last week's decision by the bers comes in the form of European Commission to shelve increased risk resulting from inadthe deregulation of pension fund equate portfolio diversification. management is a big setback to Diversification improves the the creation of a single market in return that funds achieve by

ing access to growing markets. It

is also a less risky strategy than

investing in a single country.

These are benefits that no Europroceedings to enforce the free pean country can afford to neglect movement of capital promised by the Treaty of Rome. But that will as pension costs rise with the agetake years, at high cost to taxpaying of populations. Capital market restrictions are ers and pension fund members of countries that maintain controls likely to prove ineffective in the long run. The financial services over fund management. industry will find ways to create The cost to taxpayers arises from the higher bond yields that synthetic exposure to foreign marwill be required to finance budget kets for pension funds. So will the deficits in such countries. Consort of cross-border mergers in insurance and pensions seen this trols on pension fund investment ensure a captive market of buyers week with the purchase by Comfor government bonds and share mercial Union of French insurer issues involved in privatisation Groupe Victoire. But it would be programmes. But funds can generbetter to purge Europe of pension

reap the benefits of an integrated, efficient European capital market. the global savings pool. The cost to pension fund mem-Costly research

The topic of research and development, and British industry's supposed aversion to it, is back in the news again. Last Thursday the UK Department of Trade and Industry published the latest version of its "R & D scoreboard", showing that Britain still spends far less on R & D than its main competitors. The data also suggested that British companies, uniquely among the big industrial nations, spend less on R & D than on dividends to shareholders.

ally be raised more cheaply from

The comparison between R & D and dividends is particularly topical, since the UK government seems to be toying with the idea of redressing the balance: for instance, by taxing the income of the pension funds, thus making dividends less attractive by com-parison with cash reinvested. At worst, this could do industry more harm than good. Either way, it is largely beside the point.

The debate about the City's alleged reluctance to invest in British industry goes back at least to the late 1970s, when it was examined by the Wilson Committee. The answer was clear then, and it is clear now. If industry fails to invest, it is not primarily because of lack of funds. It is more often because it cannot find sensi-

ble projects to spend money on. Nor is it true that R & D is self-evidently good and dividends bad. Take a simple example from the world of high technology. Both Philips of the Netherlands and Microsoft of the US spend massively on R & D, and neither paid a dividend last year. Philips could not afford to; its huge spending on research (over \$1bn annually) has proved largely profitless, and the money would arguably have been better handed to shareholders. But shareholders in Microsoft - one of America's most spectacularly successful companies - have no rea-son to want dividends. Their company's growth record is such that they can count on reinvested cash bringing a far higher return than

fund investment restrictions and

they could get on their own.

The basic fallacy is to suppose that high R & D spending is the cause of commercial success rather than the result. Britain's drug companies have traditionally spent lavishly on research, an have also enjoyed rapid profits growth and high stock market ratings. This is because the British have a talent for discovering useful medicines, so the cost of dis-covering them has been money well spent. Now, as it happens, this may be changing. The glory days of conventional drug discovery appear to be over, and Glaxo is spending almost as much on dividends as on R & D. Merck of the US - the world's biggest drug company - is actually paying

In seeking to make the more mature sectors of British industry spend more on R & D, the government may thus be flogging a dead horse. Indeed, proposals to penalise dividend payments by taxing previously tax-exempt pension funds could actually be harmful. The paymasters of the pension funds, after all, are largely the companies themselves. If their net receipts were reduced, their collective response would have to be either an increase in dividend payments or a rise in pension contributions. Either way, they would have less to spend on R & D.

Alternatively, the Treasury could opt for fiscal neutrality, for instance by reducing the basic rate of corporation tax in compensation. The net effect might be a mild stimulus to R & D spending. and that would doubtless do no harm. But it would not do to expect too much. When it comes to productive R & D, it isn't what you spend, it's the way that you

s Silvio Berlusconi, the new prime minister of italy, devises the policies of his administration, a secretive and powerful banker, Enrico Cuccia, is right behind him, watching every

The answer to the question of whether the premier or the 86-yearold Sicilian-born banker has the most power is finely balanced. Is it Berlusconi, head of the government and owner of three television net-works, which together attract half of Italy's viewers? Or is it Cuccia, the founder of Mediobanca, Italy's only big merchant bank, and spider at the centre of a web of powerful, interlinked companies?

Possibly tipping the balance in his favour, Cuccia has, in the past six months, acquired considerable sway over Berlusconi's vast and overborrowed business empire and thus over the prime minister's per-sonal wealth. This influence could be useful in preserving Mediobanca's near monopoly of advising and financing Italy's biggest compa-nies. Members of the government. particularly representatives of the Northern League, are determined to weaken Mediobanca.

They want to undermine the "Salotto Buono" - the 'good salon', or network of powerful business dynasties, including the Agnellis of car group Fiat, De Benedetti of computer company Olivetti, the Pirellis of the eponymous tyre group - which, though frequently competitors against each other, are supported by Cuccia and which support him. They believe Mediobanca's power is holding back the develop-

ment of Italy's economy. By contrast, Cuccia is extending the reach of the Salotto Buono by persuading his corporate allies to take stakes in the succession of Italian companies being privatised. He is seeking involvement in new businesses because the recession has eroded the financial strength of some of his most long-standing allies, such as the Agnellis and De Benedetti. With this end in view, Mediobanca is raising at least L1.500bn (£626.56m) from a share

So Italy's privatisation programme - including sales of state banks, telecommunication and electricity companies - has become the battleground between Cuccia and many government members. Berlusconi has yet to show his col-

Never part of the Salotto Buono himself, Berlusconi has indicated he wants to impose a 5 per cent share ownership ceiling for groups of related investors in future privatisations. But there has been no test case yet. Berlusconi may be waiting to see the outcome of Cuccia's other big struggle - against the judiciary. Magistrates are investigating whether Mediohanca has committed a criminal offence by allegedly failing in its duty to ensure that accurate accounts were filed last year by Ferruzzi, a long-standing client, just prior to the refinancing of the hug industrial conglomerate which had been crippled by debt.

Magistrates have already shaken public confidence in many of Mediobanca's clients - from Fiat to de Benedetti to the king of Milan concrete, Salvatore Ligresti, until last year a member of Mediobanca's board - by alleging their involvement in assorted financial scandals. Until now, Mediobanca itself has always been above the fray, remaining aloof from the corruption charges that have touched almost all other corners of Italian business and political life. "In Italy it is a crime against God even to think bad things about Mediobanca," said Francesco Micheli, an independent financier who in the early 1990s failed in his attempt to create a

rival to Mediobanca. With a horror of publicity, Cuccia has made Mediobanca the paramount financier of Italy's commercial and industrial aristocracy. Its financial muscle is enhanced by its 12.5 per cent controlling stake in the giant insurance company, Gen-

"Mediobanca is always at the crossroads of all business," said Mario Sarcinelli, the chairman of the state-controlled bank, BNL. Cuccia has held the reins for the 48 years of Mediobanca's existence. The "honorary" tag in his title of interest in taking control

An intricate web of influence

Robert Peston explores the links between Italy's Mediobanca and the interests of Prime Minister Silvio Berlusconi

"bonorary chairman" is deceptive. He is still to be found every day at the bank's headquarters in a converted 16th century convent, beside Milan's La Scala opera house. Its inconspicuous exterior hides airy, white-washed salons, dotted with Renaissance artefacts.

In other respects too, appearances mislead. It has just 87 executives and a total staff of 307. However, its net assets are worth L10.301bn (£4.2bn), at market value, making it a substantial financial institution. The UK's biggest investment bank, S.G. Warburg, by comparison has net assets of £1.1bn.

The relationship of Mediobanca with the Salotto Buono is one of mutual advantage. In return for supplying equity and long-term loans to anyone in the group, it expects members to return the favour when either Mediobanca or another group member needs capi-

This system is beneficial for a handful of big companies - of which Flat and the other interests of the Agnelli family are the prime example - because it provides them with a stable, long-term source of capital. However, Mediobanca has virtually ignored medium-sized companies, which have had to rely on short-term funding from the commercial banks.

"How can you have democracy if not all companies have equal access to capital?" asked another banker who has tried for years to create an investment bank to compete with Mediobanca.

The power of the Salotto Buono has also acted as a deterrent to the creation of independent sources of equity capital. When Mediobanca and its allies act in concert in a company's affairs, other shareholders have no voice. There is, therefore, little incentive for those outside the Mediobanca circle to invest alongside the bank and its friends. "Mediobanca ignores minority shareholders," said Romano Prodi, the economist and departing chairman of Iri, the state holding

company,
For Prodi and Mediobanca's critics in government and banking. Cuccia is standing in the way of the market. Even the Bank of Italy, long regarded as a supporter of Cuccia, accepts the case for greater competition. "What we need is several Mediobancas," said a senior Bank official.

The first big test of whether the government will confront Mediobanca will come this autumn with the privatisation of Stet the telecommunications monopoly. Medio-

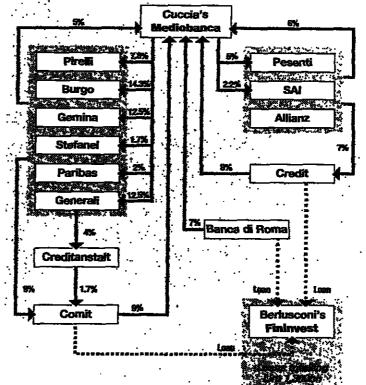
Cuccia has acquired considerable sway over Berlusconi's vast business empire and thus over the PM's personal wealth

banca, in partnership with Pirelli, wants to take control of Stet. according to a banker close to Cuccia.

However, Berlusconi is under pressure from other members of the government to prevent this. For the current privatisation of Ina, the state insurance company, the government has put in place rules preventing groups of connected investors - or individual investors from acquiring more than 5 per cent of the shares. Mediobanca had little Cuccia's tentacles



Shareholdings and loans



It is unclear how vigorously these restrictions will be applied in forthcoming privatisations, especially that of Stet. Clearly, much will depend on Berlusconi's stance. He has never been close to Cuccia.

"Cuccia and Berlusconi are so different," commented a banker who knows them both. "Berlusconi is like a pop star, a showman. Cuccia is more like a priest, not interested in the trappings of power but in

Cuccia decided five years ago that Mediobanca would not have any direct financial involvement with Berlusconi's operations, because "he did not like the risks", in the words of a banker who knows Cuccia well. Cuccia was particularly concerned about the trillions of lire which Berlusconi was investing in

film and TV rights. "Cuccia said the rights were just hot air [or valueless]", said a busi-nessman close to both Berlusconi and Mediobanca.

So Berlusconi turned to Italy's commercial banks. By borrowing from them he was able to expand Fininvest, his holding company of media and financial services interests, into one of Italy's three biggest private sector groups.

In the end, however, he took on

too much debt, about L4,500bn at the end of last year, as the recession

development of the Italian stock of Ina because of its Generali inter- of the past two years put a hrake on revenue growth.

At the same time as Berlusconi started his campaign to become prime minister at the end of last year, he was forced to initiate a complicated restructuring of Fininvest, designed both to reduce indebtedness and also to move borrowings from the top holding company into the operating companies, which generate cash.

The Sicilian-born banker has made Mediobanca the top financier of Italy's commercial and industrial aristocracy

Without the co-operation of Berlusconi's bankers, the reorganisation will not succeed: and Cuccia has, over the past six months, manoeuvred himself behind the bankers. He has acquired indirect control of Banca Commerciale Italiana and Credito Italiano, known as Comit and Credit, two of Fininvest's five biggest bank creditors.

Cuccia has already exploited his relationship with these two banks to acquire direct influence over Berlusconi's business. In the spring, Comit and Fininvest asked Mediobanca if it would organise the flota-tion of a 53 per cent stake in Mondadori, which owns Berlusconi's magazine, book publishing and newspaper interests. This is the first important asset disposal in the

Finvinvest restructuring.
Ironically, it was the previous
Italian government's failure to prevent Mediobanca acquiring indirect
stakes in Credit and Comit, when they were privatised, that now gives it a role in the new prime minister's financial affairs.

Cuccia took control of Credit and Comit at the turn of the year and in spring respectively. He had been so confident that the government would be unable to block his raids that he disclosed his intentions at a meeting last summer with Prodi. who was in charge of the bank sales as head of Iri. Prodi urged the gov-ernment to restrict the size of shareholdings in the privatised banks, to block Mediobanca. Single investors were banned from owning more than 3 per cent in either.

However, the curbs proved futile because Mediobanca rarely takes direct shareholdings in companies bigger than 2 or 3 per cent. Cuccia's technique is to persuade each of his corporate friends to buy 1 or 2 per cent of a target company and then vote in concert,

The graphic shows the complicated relationship of mutual depen-dency between Mediobanca and the two "syndicates", or groups of com-panies, which bought shares in Credit and Comit. Mediobanca owns shares in these companies and many of them also own shares in

The syndicates determined the composition of Comit's and Credit's boards through their voting at the annual meeting. Shareholders must appear in person to vote, as there is no proxy system, so Mediobanca's syndicates, whose members always attend, can call the shots. There are few other sizeable holdings in the

banks to counter their influence. There is a commercial imperative for Cuccia's interest in Comit and Credit. Mediobanca has traditionally raised much of its finance by selling certificates of deposit through its branch networks. It needed an assurance that this funding would be secure for the long term. Cuccia got his way. Both have extended the contract to sell Mediobanca's certificates of deposit until the end of 2001 and at a reduced

owever, control of Comit and Credit also allowed Cuccia to envelop Fininvest, at a time when Berlusconi's political star was waxing but his business was under increasingly heavy financial pressure. It was a no-lose bet. Even if Berlusconi was not elected Cuccia could nonethe less exploit Fininvest's financial predicament to bring his TV and publishing interests firmly into the Mediobanca sphere of influence.

Comit and Credit have loans to Fininvest of L500bn and L300bn respectively. Cuccia also has substantial influence over a third creditor, Banco di Roma, which is owned by a charitable trust but which is also a substantial shareholder in Mediobanca (as are Comit and Credit). Banco di Roma lent L500bn to Fininvest.

Berlusconi's businesses therefore rely more on Cuccia's goodwill than on any other single financier. "Cuccia can turn on the tap to give Fin-invest access to credit," said a senior Italian banker, "Or he can turn it off."

Berlusconi thus faces a possibly insoluble dilemma. If Mediobanca's syndicates continue to acquire strategic holdings in privatised companies, especially Stet, he could be accused of acting leniently towards Mediobanca to protect his private

If, on the other hand, he is aggres sive in implementing the new rules to block the Mediobanca syndicates, he could equally be vulnerable to the charge of using government office to pressure Mediobanca into supporting Fininvest's restructur-

His advisers say he is working assiduously on the problem of how to erect an effective wall around his business interests. The future of Mediobanca may depend on whether he succeeds.

OBSERVER

BAWX

Who dares, loses out

■ Britain's defence cuts are really starting to bite when the elite Special Air Service sustains an attack even it cannot withstand

Observer has learned that defence minister Malcolm Rifkind wants 50 per cent reductions in the two part-time SAS regiments, SAS 21 and SAS 23, leaving them with significantly less than 700 men combined. This comes on top of proposals - leaked earlier this month - to lop 10 per cent from the full-time SAS 22 regiment.

In June 1993 Rifkind said he would be sacking some 4,000 UK army and naval reservists, but made no mention of shrinking the SAS. So low is SAS morale that one senior SAS officer reckons the British army now has "less operational capability than Guatemala".

Dumping half the SAS reservists

will save MoD less than £3m a year. Hardly a princely sum. In fact, half the cost of one British tank. It looks like cheese paring of the daftest kind; after all, government spending on all reserve forces amounts to less than 3 per cent of the MoD's budget. The MoD prefers an opaque reticence. It says: 'Quantifying cost effectiveness

is not a simple exercise in statistical analysis" - whatever that means. Slashing SAS 21 and 23 also sits rather oddly with Rifkind's recent trumpeting of his determination to use the Territorial Army Volunteer Reserve (TAVR) - of which SAS 21 and 23 are considered the fighting spearhead - to plug gaps in the full-time army. As a defence policy it sounds like one step forward, two steps back - a marching rhythm unfamiliar to most British soldiers.

Stage exit

"Nothing happens, nobody comes, nobody goes, it's awful." Irish playwright Samuel Beckett's words, from Waiting for Godot, don't apply at present to Dublin's Abbey Theatre – though its current box affice of 60-65 per cent could be improved. But they may be apposite this winter when the theatre is threatening to lower the curtain until the suring - the first ciosure for 90 vears.

Though the Abbey is guaranteed state aid under freland's constitution, the arts council is reducing its support from 55 per cent of the theatre's income - IS2m to 50 per cent in 1995. The arts minister Michael

Higgins, under whose benevolent tutelage Irish music and film are

'Which one's Stanley Matthews?'

flourishing, insists that the Arts

Council is an autonomous body and he cannot interfere. His wife. the actress Sabina Covne, may have something to say about that ...

Send on Lou

■ Despite the odds against winning the world cup (500 to one) Saudi Arabia is sparing no effort to make sure that press coverage of its team is favourable. The squad's spokesman is one of its Washington

based diplomats, Adel al-Jubeir. He's renowned for his affability and the favourable spin he can out on awkward stories, like cash shortages and defecting diplomats. However, he knows little about soccer. So to overcome the deficiency the kingdom has hired the services of promoter Lou Goldstein, "Everyone knows Lou," says al-Jubeir. "He's the best." Lou's first challenge is today when the Saudis play the Netherlands.

Gerry joins up

■ The vacuum at the top of the Institute for Public Policy Research, the left-leaning think-tank, is to be filled by a middle-aged City scribbier.

Gerry Holtham, 49, Lehman Brothers' international economics guru, has been leant on to take the job after the front-runner -Patricia Hewitt, the IPPR's telegenic deputy director – went off to make some money as a

management consultant. Holtham has a lower pink profile than the likes of Goldman Sachs millionaire Gavyn Davies or Citibank's Neil Mackinnon, But he has a sound, if unexciting. pedigree - 10 years with the OECD in Paris, and he was an adviser to the shadow Treasury team. If Holtham can get the IPPR to

figure more prominently in Labour's economic policy debates he might be rewarded with a walk-on role in any future Labour administration. In the meantime, his departure leaves a big hole in Lehman's economic think-tank since Ruth Lea, the chief UK economist, leaves at the end of the month to be Channel Four's economics editor.

Really smelly ■ Brazil's long-awaited new

currency - the real - is designed to kill inflation and inspire pride. But it's got off to a poor start. A bag of reals was found in a rubbish bin in the capital, Brasilia.

The money, in the form of apparently genuine new 1 Real coins - equal in value to \$1 - was found by a couple of scavengers combing through a rubbish heap. They spent some of the cash to pay off debts and buy cigarettes and alcohol - even though the currency is not legal tender until July 1 - and were caught when they tried to deposit the remaining

coins at a local bank Brazil's inflation has eaten up four other currencies since 1986. It is therefore customary to find old notes in the bin; though a trifle unusual to find them there before they have even been launched.

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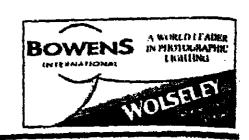


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FINANCIAL TIMES

Monday June 20 1994



Jericho awaits the president

First Voice: "Do you think he will Second voice: "Yes I am sure he

will come." In recent weeks it has been easy for many people in the Holy Land to believe they have got caught up in a conversation between the characters in Samuel Beckett's play Waiting for Godot.

Waiting for Yassir Arafat has become an obsession. Every day brings a new rumour that Mr Arafat, the veteran PLO chairman and almost mythical embodiment of Palestinian nationalism, is about to set foot in Jericho. And at the end of every day there is renewed speculation about tomorrow.

Everybody is waiting for him the Palestinian people, the international press, the embryonic Palestinian government and the Israeli authorities. Almost every project seems to be on hold until Mr Arafat's triumphant arrival billed as one of the greatest media events of 1994.

But nobody knows when or how he is going to show up. Perhaps even Mr Arafat does not

Mr Arafat was widely expected to return to Jericho shortly after signing the May 4 Israeli-PLO peace agreement for Gaza and Jericho in Cairo. Last month, he said he would not go to Jericho until international aid donors

Yassir Arafat is keeping the world guessing as to when he will finally arrive in the Palestinian homeland

produced their promised funds. The donors gave the PLO \$42m earlier this month, and Mr Arafat has since maintained a solid

silence about his plans. The most convincing explanation about Mr Arafat's indecision is that he is worried that as soon as he steps foot in Jericho the decades of myth and legend that have surrounded him will begin to wear off. "He is going to have to govern on a practical day-to-day basis and with every day he will diminish," said a senior PLO official.

Despite the uncertainty, almost every Palestinian official claims to have spoken to him "just hours ago" and to know the date of his arrival. "Of course I know when the president will come," said Col Jibril Rajoub, head of the PLO internal security forces in the West Bank. "The question is not when President Arafat will come but whether I will tell you. I certainly won't tell you."

Even in Tunis, among Mr Arafat's closest confidants, there is widespread confusion about his plans. Almost everybody, including Suha, his wife, has packed their bags in anticipation of making the journey home at short

notice on the whim of Mr Arafat. "The truth is that Arafat will probably make a decision in the early hours one morning and we

"That's his way of doing things to prolong the mystery he likes to surround himself with. Usu-ally not even his pilots are told where we are going until we are airborne.

will all be given a couple of hours

notice," said one senior PLO offi-

Speculation about the method of Mr Arafat's arrival is also rife. Will he come by aircraft, by road or by helicopter? Will he cross from Egypt or Jordan? Many Palestinians insist he will first go to pray at the Al Aqsa Mosque and Dome of the Rock on the Temple Mount in Jerusalem, Islam's third holiest site, before going to

Israeli television reported last week that Mr Arafat would arrive with King Hassan of Morocco and King Hussein of Jordan, both descendants of the Prophet Mohammed, and with President Hosni Mubarak of Egypt. Israel has officially denied any plans to allow Mr Arafat an early visit to

In Jericho, where Mr Arafat is

Traveller," the arrival of the president is taken more philosophically. "Today, tomorrow, next month - it doesn't really matter," said Mr Isaac Shawa, a storekeeper. "We are used to waiting. He will come - that is the only thing known."

Meanwhile everybody is cashing in. Stores around the central square are doing a brisk business in Palestinian flags, stickers and

Journalists are scrambling for roof space above the square to record Mr Arafat's every move, A one-square metre piece of roof. just big enough for a tripod, is going for three thousand dollars for photographers. Television networks are paying \$20,000 to \$30,000 for a whole rooftop to set up satellite link-ups for a live broadcast of Mr Arafat's return.

But as Mr Arafat continues to delay, patience is wearing thin. Some major television networks reportedly threatened that unless he came soon they would pack up their expensive equipment and teams of technicians and engineers and go home. Others warned that the World Cup and Wimbledon would take up most of the air time and resources. So far this threat has proved an empty one and Mr Arafat clearly

isn't listening anyway. So everyone is back to waiting for Mr Arafat, hoping he may

THE LEX COLUMN

The drooping dollar

If leading central banks thought they had fixed the dollar problem with their intervention in April, they must be disappointed. The currency is again slipping in foreign exchange markets, reaching new lows for the year last week against the D-mark and other European currencies including sterling. Assuming the absolute level of exchange rates matters to the central banks, that would call for another round of concerted intervention. In the short time since their last effort, though a number of basic assumptions have changed which may make the central banks less keen to step in. Not only has the Federal Reserve declared a period of hiatus in its monetary tightening but also economic

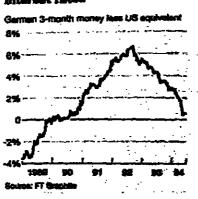
recovery has become established in Germany, which reduces the imperative for rate cuts there. It is thus harder to argue that the dollar is moving against what ought to be its fundamental trend. There is less concern that the dollar's weakness will upset the US Treasury's funding programme, while the continuing over-shoot in German money supply must make the Bundesbank reluctant to

intervene in currencies. As long as the dollar's fall does not turn disorderly, these arguments may well hold. It helps, perhaps, that there is less talk now of a US desire to drive the dollar down against the yen. The yen itself is probably prevented from showing its true strength by Korean nuclear worries as well as by some discreet intervention from the Bank of Japan. Yet while the broader community of central banks may be unworried for now, Friday night's steep fall suggests they may eventually have to become involved. One cannot imagine the dollar's decline remaining orderly below DM1.60 or Yen100.

Pension funds

Free movement of capital within the European Union has died a quiet death. A proposed EU directive defending the right of pension funds to invest overseas was dropped last week after three years of disagreement. There will be little immediate impact on financial markets: of the £800bn held in EU pension funds, the vast majority is in UK and Dutch schemes which are free to invest as they choose. With other countries edging towards funded schemes, though, the long-term impact on European capital

markets could be profound. It is difficult to justify any blanket limit on overseas investment. An



equity portfolio containing around 30 per cent overseas shares is often seen as offering the optimum balance of risk and return. UK pension funds on average hold 25 per cent of their assets in overseas equities and 5 per cent in foreign bonds, but that level of oversees investment is not without risk. As UK funds mature, such a large mismatch between foreign currency assets and sterling liabilities will be more difficult to justify.

The government's proposals for a solvency test for pension funds, expec-ted this week, could bring matters to a head. Under the test, liabilities would be valued with reference to UK bond and equity yields. Overseas equities are unlikely to feature in the calculation. Older schemes which are less well endowed will question whether the risk of falling below the solvency threshold is worth the additional returns from investing abroad. That does not alter the case against an explicit cap on foreign investment, but the drift of UK pension fund assets overseas may have reached its peak.

UK water

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But Fidelity

is it in focus.

As the regulatory squeeze on the water industry gets tighter, shareholders will demand more by way of efficiency. That extends beyond control of operating costs and delivering capital projects within budget. The net debt of the 10 privatised water companies is likely to rise by around 53bn through the second half of the decade. The cost to shareholders of borrowing at unat-

So far the companies have had access to cheap debt through the European investment Bank. Perhaps a quarter of all capital spending can also he funded through leasing deals. But the EIB will only lend so much, while

unsuitable for leasing. Bond market borrowing is therefore likely to play a greater role, even though the companies' efforts have produced mixed results. Only Welsh Water borrowed in the public markets when bond yields were at their trough earlier this year. Anglian's £100m sterling bond issue in December 1990 now looks expensive, although the company's index-linked bond six months before

has proved better value.

With revenues linked to inflation, index-linked should be an ideal form of finance for water companies. There are tax problems to overcome, but the bigger hurdle may be companies belief that they can out-guess the bond market on inflation and get cheaper funds by borrowing at fixed rates. Given their dismal record at most activities outside water and sewerage, shareholders might prefer a more riskaverse approach.

Eurotunnel The late of Euroturnel's \$358m res

cue rights issue, which closes on Wednesday, is touch and go. Last week the share price collapsed to 3889

pertiously close to the rights issue
price of 265p. The value of the nil paid
shares slumped to 13p in heavy volumes. There must now be a real danger that underwriters will be left with a large skig of shares. And given that institutional investors have shown litthe enthusiesm for the stock to date, that could depress trading after the issue. If Eurotunnel's shares remain subdued in the longer term, the com-pany could even find itself back in financial difficulties before long. Nearly half its financial cushion is predicated on the assumption that investors will exercise £200m of warrants next year. But that is unlikely unless the shares bounce.

There is a more comforting scenario. based on a repeat of what happened during the previous 1990 rights issue. Then too, the share price fell to within a whisker of the rights price but recovered in the nick of time. Subsequently the shares raced ahead as speculators who sold short were caught on the wrong foot. Some brokers detect the same pattern of short-selling this time round. But others believe the shares would have fallen even further if the issue's supporters had not been buy-ing the shares during much of last week. Given the current swirl of speculation, it is hard to tell which scanario is the more credible.

Kohl set to veto **Dutch PM**

Continued from Page 1

the UK are said to be opposed or

The choice of the Commission president is traditionally settled in secret by unanimity among the 12 heads of envertment. A stalemate increases the chances of victory by a compromise canir Leon Brittan chief EU trade negotiator, or Mr Peter Sutherland, outgoing head of the Gatt world trade organisa-

Greece, which holds the rotating EU presidency, fears that controversy over the Delors succession could poison the summit atmosphere and overshadow the visit of the Russian president, Mr Boris Yeltsin. Mr Yeltsin arrives in Corfu on Thursday to sign a trade and political agreement

with the EU. Senior diplomats in Brussels said a compromise could be reached in the form of a "package deal" covering, not only the Commission presidency, but top posts at the Western European Union, the EU's defence arm, the European Council secretariat, as well as the North Atlantic Treaty Organisation and the Organisation of Economic Co-operation

and Development. Mr Kohl, who has emerged as the principal EU powerbroker, is said to be willing to consider supporting Mr Lubbers as successor to the ailing Mr Manfred Woerner

Tighter security called for as six shot dead in Ulster

By Tim Coone in Dublin and David Owen in London

The British government was yesterday under pressure to step up security in Northern Ireland after loyalist gunmen shot dead six Roman Catholic men in a bar as they watched the Republic of Ireland's opening World Cup soccer match on television.

fired indiscriminately with automatic weapons into a crowded bar in the largely Catholic village of Loughinisland in Co. Down. Sir Patrick Mayhew, the UK's Northern Ireland secretary, condemned the killings as "inhuman

savagery" and said the gunmen would achieve "no political purpose". He pledged that the Royal Ulster Constabulary would never give up the hunt for the attack-

Mr Dick Spring, the Irish Republic's foreign minister, said

"very close" to despair. London and Dublin were working "against the odds" to produce a political settlement that both the Catholic and Protestant communities in Northern Ireland could

The attack, the latest in a recent upsurge in sectarian titfor-tat killings, came less than 48 that a framework agreement on new constitutional arrangements Northern Ireland was unlikely to be completed in time for next month's Anglo-Irish

However, Mr John Major, the UK prime minister, and his Irish counterpart, Mr Albert Reynolds, are expected to meet at the European Union's summit in Corfu on

Mr Andrew Hunter, chairman of the UK Conservative party's backbench Northern Ireland com-

the incident had brought him mittee, called for the introduction of selective interament as part of a package of new security measures. He urged the govern-ment to "lift" 30-40 republican and loyalist terrorist ringleaders immediately.

Mr Hunter also called for more troop battalions to be deployed on the province's streets."

However, Mr Kevin McNamara, tary, cautioned against the reintroduction of internment, likening such a move to "putting a lid on the cauldron" and saying it would derail any prospect of constructive peace talks. Responsibility for the attack

has been claimed by the Ulster Volunteer Force, the same loyalist paramilitary group that a month ago placed a bomb -which failed to explode - in a crowded pub in Dublin frequented by republican support-

Continued from Page 1

Banca Commerciale Italiana, Credito Italiano and Banca di Roma which between them have lent L1.300bn (\$816m) to Mr Berlusconi's businesses

of IRI, the state holding company

that controls Stet, said it was "naive" to ask whether Mr Cuccia would try to use his role in respect of Mr Berlusconi's private interests to influence government

Berlusconi has not Мт responded to questions put by the Financial Times on Mediobanca's influence over Fininvest.

Meanwhile, a banker close to Mr Cuccia said Mediobanca wanted to form a group of investors to buy a strategic stake in Stet and force management

"Stet is very important for the industrial base of this country," the banker said. "I do not believe it will become more efficient if is owned by a diverse group."

Berlusconi faces clash with banker

Mr Romano Prodi, who recently announced his intention to resign from the chairmanship

policy. "Of course he does." he

FT WEATHER GUIDE

16 LOW

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am starting adjusted price returns to 14.8.94. All redices from MS Co

Europe today

Temperatures will exceed 35C in northern Greece and Turkey. Onshore breezes will keep coastal districts several degrees cooler. Central Spain will also stay hot but afternoon and evening thunder storms will bring some relief. Sea breezes will cause cloudy and cool conditions along the north-western and vestern coast. Frontal zones will linger over the UK and the North Sea providing rain clouds in northern Ireland and in Scotland. Thundary showers will slowly move east over Alpine countries bringing a risk of local downpours and gusty winds. Sunny periods will prevail in Germany, Poland and southern

Five-day forecast

Sunny and hot conditions will persist in southern Europe but isolated thunder will occur throughout the week. Frontal zones will stay active over the UK causing cloud and periods of rain. High pressure over the continent will cause fair conditions with a warming trend over the Benelux, Germany and south-east Scandinavia. France will become hot with temperatures rising to 35C in the south.

TODAY'S TEMPERATURES



Lufthansa, Your Airline.

Lufthansa

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FINANCIAL TIMES

COMPANIES & MARKETS

Monday June 20 1994

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MARKETS



JOHN PLENDER: GLOBAL INVESTOR Markets are notoriously bad at ssing political or security risks. Yet the issues cannot be sidestepped. For instance, would yields higher without the row over

North Korea's nuclear intentions? How far do the rises in commodity prices reflect concern over global flashpoints? Page 22



MARTIN WOLF: developing world. The World Bank's latest World Development Report implies that this is part of a revolutionary redefinition of the economic role of the state, not least in infrastructure. Page 22.

INTERNATIONAL FOUITIES: So far this year, the international equities market has seen \$45.7bn of new offerings, putting it on target for another record year after last year's

\$73.7bn. Tracy Comigan starts a weekly international equities column in today's FT.

BONDS: Fears over Italy's swelling budget deficit have undermined bond markets, which are waiting for Silvio Berlusconi's government to unveil plans to tackle the country's debt. Page 24

A bullish breeze is beginning to blow again through the Malaysian stock market, which doubled in 1993 but has dropped 20 per cent this year. Page 23

Analysts expect the markets to push the dollar down against the D-Mark to try to test central

banks' resolve to take action. Page 31 **COMMODITIES:** The aluminium market is anxiously awaiting today's

production statistics to check that voluntary cuts in output agreed by the big producing countries earlier this year are continuing to bite. Page 22

Technology Plc, a subsidiary of ICL, the UK-based computer manufacturer owned by Fujitsu of Japan, has been relieved of its responsibility for ICL's UK-wide oc distribution. The abrupt change of strategy underlines the difficulties faced by full-line computer manufacturers as they struggle with the economics of a market dominated by inexpensive, low profit margin personal computers. Page 20

INTERNATIONAL COMPANIES: Liberty Life, South Africa's largest proprietary life insurer, is to launch the first global offering of convertible bonds for a South African company.

STATISTICS

London share service . 32-33 FT-A World Indices New int bond issues World stock mid indices... 26

SBC tightens controls and sacks dealers

By lan Rodger in Zurich

Swiss Bank Corporation has sacked three foreign exchange dealers and three of their supervisors from its Zurich trading centre for unauthorised trades that turned sour and could cost the bank up to SFr100m (\$70m).

The punishment is unusually harsh and rapid for a big Swiss bank, but Mr Georges Blum, appointed SBC chief executive a vear ago, has made clear that he aims to tighten management controis throughout the bank.

Swiss banks have had a reputation for handling staff lapses gently. SBC acquired a reputation for slack management in the early 1990s when it got caught out with large bad loans to several prominent collapsed groups, including Maxwell, Olympia &

York, Omni and Polly Peck.

Mr Blum said sacking was the
best way to handle infractions of dealing limits set by the bank's directors. "We have a big trading machine, and the culture in that field is different from that in investment banking or private banking," he said.

The irregularities occurred in common spot and forward foreign exchange contracts, not in

the exotic future and option products which have been attracting the concern of central banks and other regulatory authorities. SBC is one of the largest and

most successful international banks in the derivatives field. The foreign exchange transactions in this instance were made with a troubled Turkish bank a few months ago.

When it came time to settle the contracts, SBC fulfilled its payment obligations. Because of the time difference between the two centres where the deals were made, it was unaware that the Turkish bank would not complete its side of the deals.

An SBC spokesman confirmed that the failed deals could cost the bank up to SFr100m, but Mr Blum said it was too early to talk about specific figures. The bank has been in discussions with the Central Bank of Turkey for two months aimed at achieving a satisfactory settlement, he said

Even in the worst case, the loss would not be particularly damaging to SBC. It achieved profits before taxes and provisions last year of SFr4.5bn, and indicated in April that it expected the busi-ness trend for the remainder of this year to be satisfactory.

Cott warns of cola counter-attack

By Bernard Simon in Toronto

Cott Corporation, the fastgrowing Canadian maker of private-label soft drinks, has cautioned that an intensifying count-er-attack from Coca-Cola and PepsiCo may dampen its earnings growth this year.

Cott said in its annual report that price competition from national brand soft drinks abated during much of its fiscal year to January 1994. But Coke and Pepsi have hit back hard in recent months by cutting prices, widening retailers' margins and reducing the cost of cola concentrate

Cott said it expected the strong response to continue throughout the coming year in the UK and Canada, and "sporadically" in the US and other countries.

Rising sales volumes, productivity improvements and cost controls would only partially off-

set downward pressure on North American prices, Cott said. Net income almost trebled last year to C\$35.4m (US\$25.6m) and sales doubled to C\$665.4m. The strong growth rate continued in the three months to April 30.

But Cott's shares lost almost a quarter of their value on the Toronto stock exchange last week, tumbling from C\$26 to C\$19.75. Some analysts have raised concerns about the start-up costs of the company's expanding European operations, as well as narrowing margins, especially in Ontario where the battle between Cott, Coke and Cott's critics also question its

accounting practices. According to the annual report, one of the original MBO in 1989. mainsprings behind a 91 per cent jump in assets last year was a quadrupling of "prepaid contract costs", which some analysts say should be treated as expenses.

Opec ministers trade frowns for smiles as oil prices rally

Production ceilings have played their part, writes Robert Corzine

World-wide finding cost per barrel of oil equivalent

Based on US compenses (\$)

Oil: prices and costs

resh optimism that short-term oil prices are on their way up was clearly reflected in the smiles and jaunty steps of oil ministers at last week's meeting in Vienna of the Organisation of Petroleum Exporting Countries.

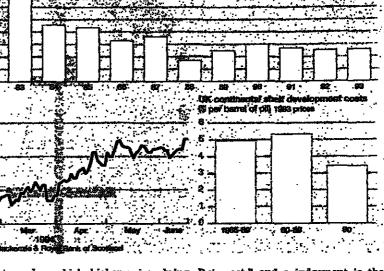
Gone were the tense negotia-

tions and mutual recriminations that accompanied abortive attempts last November and March to prop up collapsing prices. They were replaced by satisfaction with the present strategy of maintaining Opec's production ceiling at 24.52m barrels a day until the end of the year, and perhaps even beyond.

Last week's price rally, which saw the benchmark Brent bland reach \$17 a barrei, more than \$4 above February's five-year low, may have had little to do with the ministers' decision to re-confirm their adherence to the ceiling. The news from Korea and supply bottlenecks in the fast growing US market were more important factors. But ministers and most independent analysts believe Opec's present course should help to underpin prices as long as the strong pace of US economic growth is maintained. One Gulf Arab delegate last week thought prices could rise by

another \$3-\$4 by year-end.

Many analysts still expect some short-term price volatility, in part because of the presence of hedge funds. Most would agree, however, with Mr Vahan Zanoyan, an analyst with the Washington-based Petroleum Finance Company, who says "all market sensitivities are on the up side". The Centre for Global Energy Studies in London believes



"prices could rise steeply towards the end of the year if Opec continues to restrain output" in the face of sharply rising demand. It recently warned that sudden price rises were possible because tocks held by oil companies are likely to fall sharply by the

fourth quarter. Cambridge Energy Research Associates in Paris believes the inventory strategies of companies in the second and third quarters will play "a key role in avoiding strong upward price movement later in the year'

Oil companies will obviously welcome the stronger cash flows

which higher prices bring. But few are likely to drop their caution over longer-term prices. And there is little likelihood of a new wave of investment in the North Sea or elsewhere.

The link between prices and investment is changing, according to Ms Jo Armstrong, economist at the Royal Bank of Scotland. She says recent price fluctuations have caused companies to focus on factors which are within their control, such as cost cutting, when reviewing individual projects.

"Companies try to identify the break-even price of oil for a proj-

made as to "whether or not such a price level is likely within the critical time frame", she says. It also makes companies less reliant on future Opec actions for their profits. In spite of last

week's smiles, the outlook for the organisation is not altogether rosy. The presence in Vienna of the Iraql oil minister for the first time in several years was a reminder that Opec has yet to face what could be its biggest test: the need, perhaps early next rear, to re-integrate Iraq, one of its biggest exporters, without

Magnet case damages could hit £1bn

By Andrew Jack in London

Advisers and bankers to the ill-fated management buy-out of Magner, the fitted kitchens retailer, face potential damages of up to film, those involved in the litigation said yesterday.

The total value of the claim is only likely to be settled by the costs may substantially outstrip the £629m (\$943m) cost of the

Parties involved include Bankers Trust, leader of the banking syndicate. Arthur Andersen. adviser to the management, and Arthur Young, Magnet's auditor.

In its day Magnet was the largest MBO ever and the first involving "mezzanine" finance. The case, which is due to be heard in the High Court in October, involves two separate sets of writs: GE Capital suing Bankers Trust, and Bankers Trust in turn

suing professional advisers. It will raise a series of impornature of diligence on acquisitions, and the duty of care of corporate finance advisers and lead banks to syndicate members. All parties involved vesterday vigorously defended their positions and maintained that the

dispute was unlikely to be

settled on the steps of the court. Bankers Trust is expected to argue that it believed it had a contract with Andersen to verify the figures which allowed the MBO to proceed.

However, Arthur Andersen says there was no such agreement, that its duty was entirely to the management team of Mag-net and that there would have been a conflict of interest if it had also acted for Bankers

Mr Chris Nunn, a partner with Andersen, said: "This is a pretty outrageous example of a deep pocket action. It is so outrageous that it makes some look respect-

able. Our role was never what those suing us have claimed." As part of its defence, Andersen has drawn in to the litigation Arthur Young, now part of Ernst & Young, which was auditor to Magnet and approved a series of profit estimates.

Ernst & Young said: "Arthur Young had peripheral involvereporting on a profit estimate prepared by the directors for the efit of existing shareholders. It did not have a duty of care to the investors."

One adviser said: "People's recollections of what happened are not exactly symmetrical."

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This week: Company news

KMART

Dissidents seek outright sale of subsidiaries

Kmart shareholders are anxiously awaiting the outcome of tomorrow's board meeting amid expectations that Mr Joseph Antonini, the embattled chairman and chief executive, will push for the approval of a restructuring

Mr Antonini is convening the session a fortnight after the discount store group's annual meeting, when disgrimiled investors soundly rejected his plan to create new shares linked to the performance of four profitable specialty chains. The sale of the stock would have generated much needed cash while allowing Kmart to retain control of the businesses.

The defeated proposal - centrepiece

of a strategy to revive the company's fortunes after years of decline -represented a stunning personal defeat for Kmart's boss. It was a triumph for institutional investors seeking more control of corporate decision-making.

The dissidents are pressing Kmart to opt for the outright sale of the four chains - OfficeMax, Borders-Waldenbooks, The Sports Authority and Builders Square. This amounts to asking Mr Antonini to repudiate a decade-long effort to diversify. Instead, they want management to concentrate on recapturing market share lost to Wal-Mart and other rival

discount department stores.

Last week, the company refuted reports that Mr Antonini had decided to submit to the board a new proposal to offer minority stakes in the four subsidiaries to the public. Such a move would distance Kmart from the businesses, which would have separate

It is far from certain whether a public offering would satisfy shareholders, though their endorsement is not necessary. The company would still retain control. But it is equally uncertain whether the board would approve such a proposal.

British Steel

Share price relative to the FT-SE-A All-Share Index

BRITISH STEEL Profits put a shine

on future prospects This time last year, British Steel was unveiling its worst set of results since privatisation in 1988. Today, things

will be verv different. The company's £149m pre-tax loss for 1992-93 was the result of recession and falling demand in the UK and abroad, and price reductions caused by excess production capacity in the

European steel industry. Since then, British Steel has started long climb back into the black. In November, it reported first-half pre-tax profits of £27m (\$40.5m), reflecting improvements in prices and in operating performance. It restored

an interim dividend of 0.5p. Today, even the most pessimistic of analysts expects pre-tax profits of 260m (\$90m) for the year to March, and forecasts range as high as £95m. The majority believe a maintained final dividend of 1p per share is likely.

While the expected results remain a long way short of the record £723m in 1989-90, the company is at least making profits and generating cash. At the interim stage it reported that UK demand for steel had recovered markedly, but noted that this was due largely to an increase in inventory levels and the underlying improvement was modest. Continental markets remained "very depressed", with no recovery expected in the second half,

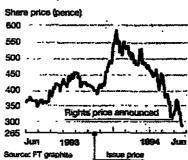
This time, the outlook should be

much brighter.

OTHER COMPANIES Nail-biting finish for **Eurotunnel underwriters**

At 3 o'clock on Wednesday, Eurotunnel's £858m (\$1.29bn) rights issue will close, and it is going to be a race to the finish for the underwriters. Last week saw a significant increase in the selling by small shareholders on both sides of the Channel. Having started the week with a 77p cushion above the rights issue, the margin had dropped to 23p by Friday evening, as the shares closed at 288p. Today is the last day of trading for the nil paid rights, and this will provide a pointer for the likely take-up of the issue. Any further fall in the price could prove costly to the sub-underwriters.

■ Colonia: Tomorrow morning Mr Class Kleybolt, chief executive of Colonia, will unveil what are expected to be healthy increases in profits and earnings per share at Germany's third largest insurance group. As indicated at the half-year stage, Colonia has benefited primarily from improved results in the mainstream "technical insurance" area. Mr Kleybolt is also likely to spell out more details of the restructuring plans which he first unveiled last autumn, although it is too early for these figures to have had much of an impact on earnings. In 1992, Colonia, which is now part of the French Union des Assurances de Paris, made net profits of DM110m (\$65.8m) on premium income of



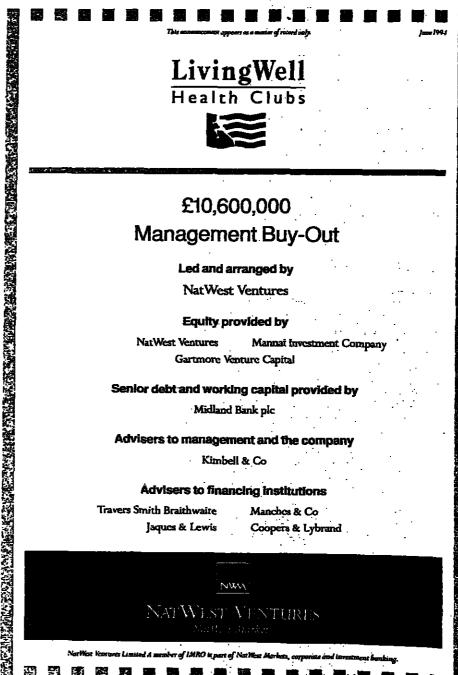
■ The Federal National Mortgage Association (Fannie Mae): The US mortgage agency, will price a \$1.5bn issue of 10-year bonds, its first global offering of securities, on Wednesday. The bonds, arranged by Merrill Lynch and JP Morgan, are likely to yield about 25 basis points more than the comparable US Treasury bond. A global offering for the other large US mortgage agency, the Federal Home Loan Mortgage Corporation (Freddie Mac), arranged by via Salomon Brothers and Goldman Sachs, will follow in the coming weeks.

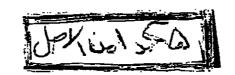
■ Rothmans International: The UK based tobacco group, now shorn of its luxury goods interests, is expected to report a lower annual profit on Thursday due to the £48m costs associated with the demerger of Dunhill. BZW, the broker, is forecasting a pre-tax figure of £440m (\$660m), down from a pro forma £470m the previous

Companies in this issue

Banto Pacific

BET





COMPANIES AND FINANCE

r Tony O'Reilly first

shot to fame as an

18-year old in South

Africa, as a member of the

British Lions rugby team

nearly 40 years ago. The ball

bounced well for him, and for a

time at least, the unknown Irish teenager, was considered

The ball is bouncing well

again in South Africa for Mr

O'Reilly, chairman and chief

executive of HJ Heinz and also

chairman of the media com-

pany he controls, Independent

Newspapers of Ireland.

Around the same time as the

Dublin-based company was

making its play for Newspaper

Publishing, the lossmaking

company that owns The Inde-pendent in the UK, and buying

the world.

ICL to spread the load O'Reilly again gets the bounce of the ball of its pc distribution

Sluggish sales and frustration among customers have forced ICL, the UK-based computer manufacturer owned by Fujitsu of Japan, to abandon a controversial personal computer marketing strategy which left responsibility for pc distribution throughout Britain in the hands of one

Technology, a wholly owned ICL subsidiary, has been relieved of its responsibility for UK-wide pc distribution. A new sales and marketing organisation, ICL Client-Server Systems Trading, is being established to supply ICL pcs and servers (medium power computers) to distributors, dealers and

The abrupt change of strategy underlines the difficulties

faced by full-line computer manufacturers as they struggle with the economics of a market dominated by inexpensive, low profit margin personal computers. Given adequate technology, success in this market is tied to low cost distribution to retailers, dealers and value-added resellers who add software and services to the basic hardware.

ICL's answer was the purchase two years ago of Technology, then one of the UK's largest pc distributors. It was a controversial decision because it meant Technology would be distributing ICL pcs alongside competitive products from International Business Machines, Digital Equipment, Compag and Sun. IBM, for a time, terminated its distribution contract. ICL's UK pc mar-

ket share, however, has

at about 5 per cent. Mr Nigel Croisdale, who has been appointed to run the new distribution company, believes it has to double its UK market share to be a credible per-

Giving Technology exclusive distribution rights put intolerable strains on the company's physical ability to handle the volume of business. "Frequently, we did not have enough inventory to meet demand. We were failing to meet delivery dates and this upset customers," Mr Croisdale

Technology took on the roles of agent, reseller and distributor which significantly reduced the amount of credit in the sysmany resellers who depend on credit from their distributor.

a 29.9 per cent stake, it pulled off a far more significant deal in South Africa. Mr O'Reilly agreed to buy nearly a third of Argus Newspapers of South Africa, arguably the most influential newspaper group on the continent from Anglo-American Corpora-

tion and Johannesburg Consolidated Investment. The key initial 31 per cent stake cost the Irish about 1520m (£19.6m). Mr O'Reilly will pay R11.50 a share, but with the shares already trading at up to R15 there is already a paper profit of more than 156m for Mr O'Reilly.

year ended April 2, down 25

per cent on last year's £9.16m.

Turnover was 8 per cent

higher at £77m, primarily

because of a six months' con-

tribution from recently-ac-

quired HS Group. The profit

fall was caused by intense com-

petition in the UK heating mar-

ket and development costs in

The poorer performance

means employee shareholders

writes Ian Hamilton Fazey.

The performance on the South African rugby field and on the Johannesburg Stock Exchange 40 years later are connected. When Mr O'Reilly charged down the wing in the crowd was a Mr Mandela. A young player in one of the warm-up games before the big match was a Mr de the best wing threequarter in

The Irish businessman's position in Africa was later consolidated when as Heinz chief executive he decided to construct a food plant in Mr Robert Mugabe's Zimbabwe. When Anglo-American decided they did not wish to be in the media in South Africa any more, they came to Mr O'Reilly, as a newspaper pub-lisher likely to be acceptable to a new South African government to see whether he would be interested in investing in the Argus group, whose titles include The Star and the Sun-

day Tribune. There are 15 high speed presses in all of Africa and we have got 11 of them. The equipment they have could print 12m papers (a week). We're printing 5m. We have vast spare capacity," says O'Reilly. Before the recent South Afri-

can elections it was a move that could have been risky. It looks much less so now. Mr O'Reilly believes he will be able to produce there a company with a market capitalisa-



Tony O'Reilly: Argus buy worth IS6m paper profit

tion of 2200m. The move into South Africa is the most dramatic example so far of the international media ambitions of both Mr O'Reilly and the Independent Newspapers

At its recent annual meeting, Mr O'Reilly, who bought control of Independent for £1.1m 21 years ago, was able to tell

All these Sides female has a said, this

invested then would, together with dividends being reinvested in the company, be now worth IE154,000. Pre-tax profits rose 81 per cent last year to

Mr O'Reilly moved on Friday to strengthen the management of the group's Irish newspapers by appointing Mr David Palmer, former chief executive of the Financial Times group. to the vacant post of managing

director. Yet apart from the core business in Ireland, which now includes investments in cable and microwave television distribution, as well as newspapers, the company has exponded into France, Mexico, the

UK and Australia. The investments range from billboards in Mexico, through local and regional papers and advertising on buses to local newspapers and the stake in The independent in the UK.

Mr Brenden Hopkins, who runs the UK business and is responsible for international acquisitions, notes the change in the nature of the group. Three years ago we were an Irish group with international interests and now we are an international group with interests in Ireland, Australia, France and the UK," Says Mr Hopkins. He hopes he will be able to buy more in the UK regional press in the next 12

Raymond Snoddy on the international media ambitions of the former rugby player So far only between 13 and 13 per cent of the company's shares are held in London. although it says London stockbrokers are starting to take more interest following the acquisition of the stake in The Independent.

> r O'Reilly plans to take a more direct interest in running the company when he retires

At the moment it is in the hamis of Mr Liam Heely, the quietly spoken, but tough-minded chief executive who has worked for the group

Mr O'Reilly hopes he can create a group with a total capital isution of £1bn within the next three years, although that would include consolidating

existing minority stakes. He is also ambitious to expand his newspaper interests, possibly including United Newspapers, publishers of the

Daily and Sunday Express.
"If someone like Michael Green (chairman of Carlton Communications) wanted the Daily Express as the standard bearer for his communications company and I could find a way in which he would buy at a higher multiple and I got the (United's) regionals at a lower multiple, it would be a good deal," says Mr O'Reilly.

Swiss banking licence for Hinduja group

The British-based Hinduja international trading group has been granted a banking Amas, its Geneva-based finance and asset management

The new bank, Amas Bank (Switzerland), is expected to focus on niche markets, providing private banking and portfolio management services to wealthy individuals, and capitalising on the group's Indian links to advise on investment

opportunities in India. Amas' application for a banking licence was overshadowed by allegations of drugmoney laundering, but these were dismissed as nonsense by the Hinduja family, as Amas was not a deposit-taking business. The fact that it has now been granted a banking licence could be seen as confirmation

by Swiss authorities that the allegations were unfounded. The private Hinduja group is run by four brothers of the billionaire Hinduja family, with ing, and infrastructure.

BET incentive gives directors £4.6m boost

By David Blackwell

Executive directors at BET. the business services group which returned to the black for 1993-94, stand to gain £4.6m from an incentive plan established during the year.

The annual report also shows that the total remuneration of Mr John Clark, chief executive, rose by 30 per cent from £708,000 to £924,000, including £281,000 in bonuses and £163,000 in pension contributions.

The report says that the group, which is reviewing its remuneration strategy for senior executives, "continues to view share-based incentive schemes as a key motivator for them to deliver superior performance and increases in shareholder value".

On Friday the shares closed at 118p - just 2p above the

The group's remuneration committee, led by Lord Tebbit, operates the medium-term incentive plan, which is described as a rey component interests apart from finance, of its revised strategy. It has ble executives "to recognise able benefits of £414,000.

the performance and contribution of participants during the turnround period (1991-93) and their continuing superior performance during the next three to five years". The group has made an initial provision

of £2m. In order to trigger the benefit the share price must reach "a minimum predetermined threshold" and exceed the FT-SE-A All-Share Index "by a

challenging margin". How-ever, details are not given. Awards will be made in BET shares bought at the market price. Recipients will have to hold the shares for at least six

Last month BET announced pre-tax profits of £92m in the year to April 2, compared with losses of £9.8m.

 Sir John Egan, chief executive of BAA, the privatised UK airports group, was paid a total of £544,000 last year, up 33 per cent on 1992-93, the annual report shows. His performance-related bonus increased from £82.000 to £119,000, and he received pension contributions of £11,000 | will get an 18 per cent (20 per

Baxi down 25% Pru completes £160m deals

to £6.87m Baxi Partnership, which makes Prudential, the insurance domestic heating boilers and company, is expected to complete two property deals worth claims to be the UK's largest employee-owned manufacturer. more than £160m within the made profits of £6.87m before next 10 days, writes Bethan tax and profit-sharing in the

One deal, worth an estimated £90m. is for Wimpey's 50 per cent stake in Little Britain, a central London office development. The other is for a balf-share in the Cwmbran shopping centre in south Wales, for which it will pay Ladbroke Group about

Prodential indicated earlier this year that it had up to film to invest in commercial property during 1994. The completion of these two purincluding trading, manufacture | set target benefits for 60 eligic in addition to salary and tax-| cent) share of profits, or £1.22m | chases will mean it has spent almost half that amount.

	CROSS BORDER	HEA DEALS		
SICOER/BIVESTOR	TARGET	SECTOR	YALUE	COMMENT
BT (UK)	MCI (US)	Telecoms	£3.53bn	US regulators approve
France Telecom (France)/ Deutsche Telekom (Germany)	Sprint (US)	Telecoms	£2.8bn	2014 stake planned
Royal Bank of Scotland (UK)	Quincy Savings Bank (US)	Seriong	£93.2m	Further US expension
Emap (UK)	Editions, Mondisles (France)	Publishing	£83.7m	Pert of 38-title deal
Piller Properties (UKV Ste Immobiliere Trans-Quebec (Canada)	N	in metricular it	060m	buobeuth wone
MBf Holdings (Maleyela)	WR Carpenter (Papus New Guines)	Vehicle	£39m	Cash buy via HK smi
Varity (US)	Donnen Dissels (URQ	Engineering	233.3m	Buy via Perkina arm
Cains Energy (UIC)	Smith Offshore Exploration (US)	Ož & Gas	C22.5m	Buy from Harvard Group
Vilmorin (França)	Suttons Seeds (UK)	Gerden products	n/a	Proceedia/ Volvo disposal
B/S #Security	R/	Talassana	- Alt	Lill otherholes

New lesse Closing June 10, 1994



DM 400,000,000 Floating Rate Notes of 1994/1999

Three-Months-DM LIBOR, payable quarterly in arrears on March 10, June 10, September 10 and December 10 of each year

Repayment:

June 10, 1999, at par Düsseldorf and Frankfurt/Mair

Trinkaus & Burkhardt

ABN AMRO Bank

Bayerische Vereinsbank

DG BANK

GZB-Bank Z-mahank Wi Simber

Deutschland) AG

New Joine Choung Jame [7, 199]

(£1.87m).

aluminium castings.



Bayerische Landesanstalt für Aufbaufinanzierung

Munich DM 200,000,000 Floating Rate Notes of 1994/1999

Interest:

Listing

Six-Months-DM-LIBOR less 0.05% p.a., payable semi-annually in arrears on June 17 and December 17 of each year

Repayment

June 17, 1999, at par

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ABN AMRO Bank

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WGZ-Bank

NOTICE OF EARLY REDEMPTION

3i Group plc

(formerly called - Investors in Industry Group plc) (the "Company") £75,000,000 Floating Rate Notes 1994 (the "Notes")

NOTICE IS HEREBY CIVEN that, pursuant to Condition 5(b) of the Terms and Conditions of the Notes, the Company will redeem all outstanding Notes on July 21, 1994 at their principal amount. Payments will be used upon presentation and surrender of the Notes at the principal offices of Morgan Guaranty Trust Company of New York in London or Brussels or Frankfurt am Main or the principal office of S.G. Warburg & Co. Ltd. in London or the principal office of Banque Internationale a Luxembourg S.A. in Luxembourg. Such payments will be made in pounds sterling at the specified office of the Paying Agents in London or, at the option of the holder, at any specified office of any Paying Agent by a pounds sterling cheque drawn on a Town Clearing Branch of, or by transfer to a pounds sterling secount maintained by the payer with, a bank in the City of London.

Notes should be presented for payment together with all unmatured Coupons. 3i Group plc By: Morgan Guaranty Trust Company as Principal Paying Agent

Dated: June 20, 1994

Yasuda Trust and Banking (Luxembourg) S.A. US\$ 50,000,000 Floating Rate Guaranteed Notes Due 2000 with Fixed Rate Option

The Yasıkla Trust and Banking

Company, Limited ace with the provision of the Notes, notice is hereby given that the rate of interest for the est period 20th June 1994 to 19th December 1994 has been fixed at 5-275% p.s. The coupon unt payable on 19th December

1994 will be US\$ 133-34 per

The Vasarda Trust and Ranking Company, Ltd. London Agent Bank

USS 5.000 Note.



European investment Bank

Notice of redemption to Bondholders of Italian Lira 150 Bn 10.75% 1988-27.07.1996 (Code 583512)

Notice is hereby given that pursuant to clause Redemption of the Terms and Conditions of the Bonds, the Issuer has elected to redeem and prepay all outstanding bonds, i.e. ITL 121,040,000,000, on July 27, 1994 at the redemption price of 101% of the principal amount thereof. On and after the redemption date interest on the Bonds will

Bonds should be presented and surrendered for payment with all

coupons attached appertaining thereto maturing after July 27, 1994 at the offices of the following paying agents. Krediethank S.A. Luxembourgeoise 43, boulevard Royal, 2955 Luxembourg

nca Commerciale Italiana 6, Piazza della Scala

Kredietbank N.V. 7, Arenbergstraut 1000 Bruxelles

Fiduciary Issue by Kredietbenk S.A. Luxembourgeoise to fund a loan to be made by it to

ISVEIMER

istituto per la Sviluppo Economico dell'Italia Meridionale

US\$ 150,000,000 Floating Rate Notes due 1997 In accordance with the Terms and Conditions of the Notes, houce is hereby given that for the Interest Panod from June 20, 1994 to December 20, 1994 to December 20, 1995 to Decem ber 19, 1994 the Notes will carry an interest Rate of 5 %% per annum. The Coupon Amount payable on the relevant Interest Payment Date, December 19, 1994 will be US\$ 142.19 per US\$ 5,000 principal amount

of Note, US\$ 2,843.75 per US\$ 100,000 principal amount of Note and US\$ 14,218.75 per US\$ 500,000 principal amount of Note. Kredietbank S.A. Luxembourgeoise

VENTUR

Istituto Bancario San Paolo di Torino S.p.A.

US\$ 150,000,000 **Floating Rate Depositary Receipts due 1997**

In accordance with the Conditions of the Recuipts, notice is horo-by given that for the Interest Penod from June 20, 1994 to Decem-ber 20, 1994, the Receipts will carry an Interest Rate of 5.09375 %

The Coupon Amount payable on the Relevant Interest Payment Date, December 20, 1994 will be US\$ 1,294.66 per Receipt relating to a Deposit of US\$ 50,000 and US\$ 6,473.31 per Receipt Ine Agent Bank relating to a Deposit of US\$ 250,000. Kredietbank

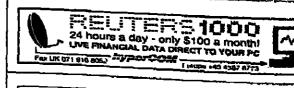


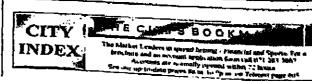
Italian International Bank Pic US\$ 45,000,000

Subordinated Floating Rate Notes due 1996 in accordance with the Terms and Conditions of the News, nabbe is hereby given that for the Interest Period from June 70, 1994 to December 20, 1994 the Notes will carry un interest

Rate of 5.125% per annum and the Coupon Amount per US\$ 10,000 principal amount of Note will be US\$ 260 52







Liberty Life plans global convertible bond offering

By Tracy Corrigan

Liberty Life, South Africa's largest proprietary life insurer, is preparing to launch the first global offering of convertible bonds for a South African com-

The issue marks an important step in the country's return to the international financial markets, following its first non-racial elections in

The plan to raise up to \$500m. globally is ambitious, given the relatively low profile of South African companies among international investors. However, the deal should benefit from the increased weighting of South Africa in many international investment portfolios. The convertible bonds are

likely to have a relatively high coupon of about 6 per cent, given the large size of the transaction, and a maturity of

The bonds will be convertible into Liberty Life shares at a premium of 10 to 12 per cent, Capital Shopping Centres, the

according to Robert Fleming, the UK investment bank charged with arranging the transaction.

On Thursday, Fleming will lead a visit by underwriters and investment managers to South Africa. Subsequently, roadshows will be held in Singapore, Tokyo and Hong Kong as well as cities in the US and Europe, over a two-week

Liberty Life, South Africa's fourth largest company, was chosen to take a leading role in the country's return to the international capital markets because of its particular attractions for international equity

As well as its stakes in top South African companies like Standard Bank, South African Breweries and Premier Group, the group also has substantial offshore holdings. The interests of its 57 per cent-owned, UK-based subsidiary Transatlantic Holdings include Sun

retail development company which was recently listed on the London Stock Exchange. It is planned that around \$100m of the bond proceeds will be used in the develop-ment of Liberty Life's business in South Africa and about

\$200m will be used to repay

existing debt.

The company "has required a lot of mezzanine borrowing for the last 15 years," which will now be replaced with lon-ger-term financing, according to Mr Donald Gordon, chairman. He added that he would expect the bonds to be converted into equity quite rap-

With regard to the remaining proceeds of the offering, Mr Gordon commented that we like to have a bit of a war chest". He declined to comment on any specific targets, but observed that the reversal in the American interest rate cycle has increased the receptiveness of companies which until recently were unwilling to enter into discussions.

markets. production of Budweiser.

Anheuser-Busch last year acquired a 17.7 per cent stake in Grupo Modelo, Mexico's largest brewer for \$477m. The Wuhan investment would be its first majority stake abroad. Foster's Brewing of Australia and Anheuser-Busch are leading the charge among international brewers to secure a niche in the Chinese

the only players.
San Miguel, Carlsberg,
Becks, Pabst Blue Ribbon and

local brewers. China is the world's third largest and fastest growing beer market. Per capita consumption at 8.4 litres is negligible compared with 92 litres

the US.

Spanish clothier

Cortefiel, a leading familyowned Spanish clothing group with more than 300 retail outlets, is to make an interna-tional public offer early next month which is expected to raise some Pta17bn (\$120m) writes Tom Burns in Madrid. Goldman Sachs, the US investment bank and global co-ordinator for the group's

30 per cent of Cortefiel would be offered in two tranches.

Guaranteed Floating Rate Notes due 1995 Notice is hereby given that, in accordance with the provisions of the above mentioned Floating 1994 (182 days) has been fixed at 5,175% per annum.

BANQUE INTERNATIONALE BALLI A LUXEMBOURG

COATS VIYELLA PLC by Independent Registrars Group Limbed as Registrar on the above dent Registrars Group Lim 390/398 High Road (LFORD) Essex (G1 1NO Atmotion: Section 5 Tel: 081 478 8241

(MITSUI REAL ESTATE RATE NOTES DUE 1995

June 20, 1894

e is hereby given that for the interc period from 20th June 1994 to 20th ecember 1994, the rate of interest will be 3.90% per sound. The interest payable on the 20th December 1994 will be Yea 195,534 per each Yea 10,000,000. Note

Anheuser expands Chinese interests

By Tony Walker in Beijing

Anheuser-Busch, the biggest brewer in the US, is continu-ing the international assault on China's beer market with the planned takeover of the de brewery in Wuhan on the Yangtze River.

The group, which produces Budweiser beer, has announced that it would take an 80 per cent stake in the Wuhan brewery and expected the deal to be completed by the end of this year.

Last year, Anheuser-Busch secured a 5 per cent stake in the Tsingtao brewery, China's best known brewer and one of nine companies selected for a listing on the Hong Kong

Stock Exchange. The US company's invest-ment in the Wuhan brewery will be made through ser-Busch International and is part of aggressive expansion plans in emerging

It is certain to pay a pre-ntum price for its stake in the Zhongde Chinese-German joint venture, which was established in 1988 and produces the Steinbrau brand. It plans to use Wuhan as a base for

market, but they are far from

Holstein are among foreign companies who have either established joint ventures or licensing arrangements with

in the US and 158 in Germany. China last year produced 12m tons of beer, passing Ger-many to become the world's second biggest producer after

to raise Pta17bn

stock market debut, said up to

Timber group in \$1bn alliance cal plywood production and stock market's total capitalisa-By Kleran Cooke

in Kuala Lumpur

Indonesian and Malaysian corporate interests are to form one of the world's biggest tim-ber concerns in a complex deal valued at around \$1bn.

Barito Pacific Timber, one of Indonesia's largest companies and the world's leading plywood exporter, will purchase about 70 per cent of Construc-tion and Supplies House group (Cash), a relatively small, lossmaking building supplies com-pany listed on the Kuala Lumpur exchange. At the same time Cash is to buy a 30 per cent interest in Bartto Pacific. The deal is the biggest crosshorder transaction so far

between listed companies in south-east Asia. Malaysia and Indonesia account for more than 90 per cent of global tropi-

Cdn. \$4,441.000

Cdn. \$2,904,000 SFR 100,000,000

Cdn. \$ 60,000,000

SFR 100,000,000

ECU 56,000,000 Cdn. \$75,000,000 SFR 100,000,000

U.S. \$125,000,000

Сф. \$125,000,000

SFR 150,000,000 U.S. \$60,000,000 U.S. \$40,000,000

analysis suggest the two countries could be seeking greater control of plywood prices through the alliance

Barito Pacific has timber concessions in Indonesia of more than 5m hectares - an area larger than Switzerland. The company is controlled by Mr Prajogo Pangestu, an Indo-nesian Chinese who has become one of Indonesia's leading corporate figures.

Apart from Barito, Mr Pra-

jogo has a 10 per cent holding in Astra International, one of Indonesia's biggest conglomerates, and has business partnerships with two of the children of President Suharto.

Last year about 12 per cent of Barito was listed on the Jakarta stock exchange and the company now accounts for more than 10 per cent of the

tion. Private family interests of Mr Prajogo control the rest of Barito.

At a news conference in Kuala Lumpur, Mr Prajogo said the alliance with the Cash group was the first step in plans for Barito to go interna-tional. Analysts feel Mr Prajogo has other reasons for the

Recent industrial disputes and riots in Indonesia have made the small but economically powerful Chinese community nervous. The Cash deal effectively moves a large part of Mr Prajogo's private assets

By injecting a substantial part of his private interests into a listed Malaysian concern, Mr Prajogo will take advantage of the high price/ earnings ratios commanded by

timber companies on the Kuala Lumpur stock exchange. Foreign fund managers are also seen to favour Kuala Lumpurlisted companies over those

listed in Jakarta. On completion of the deal, Mr Prajogo will still retain control of Barito and own more than 60 per cent of Cash. The newly enlarged Cash will become one of the biggest timber companies on the Kuala

Lumpur exchange.
The terms of the transaction valued at M\$2.59m (\$1bn), include Mr Prajogo injecting privately held interests in Papua New Guinea and China into Cash in exchange for newly issued Cash shares. Cash will use a combination of rights issues, cash and irredeemable, convertible unsecured loan stocks to purchase

30 per cent of Barito shares.

Japanese bank merger off

By William Dawkins in Tokyo

A Japanese regional bank has pulled out of a finance ministry-inspired merger with two competitors, a setback to government attempts to reorganise the weakest local financial

Mr Yukio Shimodate, managing director of Kita-Nippon Bank, in Morioka, northern Japan, announced over the weekend his decision to withdraw from a proposed merger with bad debt-laden Tokuyo City Bank and Shokusan Bank. The merger would have threat-

Court rules

AT&T, the largest US

long-distance telephone com-

pany, has won a Supreme

tion it has under statute

to alter the filing require-

in favour

of AT&T

By Richard Waters

in New York

ened the survival of Kita-Nippon, he maintained. The plan, proposed in April

by Kita-Nippon with MoF backing, ran into intense opposition from customers and businesses, on the grounds that Tokuyo's bad debts would

weaken the other partners. A Kita-Nippon consumer group had collected 20,000 signatures opposing the scheme, in an almost unheard of confrontation with government policy. Unions were also anxious that the costs of writing down some of Tokuyo City's

would hit bonuses and add to the risk of branch closures.

This was to have been the largest of a series of regional bank mergers orchestrated by the MoF in an attempt to encourage them to share costs in the face of growing competition in local banking from Tokyo-based city banks.

Most regional banks have a solid client base of local business borrowers, but some second tier banks have built up problem loans from over-lending in the late 1980s. The three in the aborted merger are secestimated Y100bn bad debts ond tier banks.

Life company farms out derivatives management

By Tracy Corrigan

Confederation Life, Canada's fourth biggest life company, has passed on the management of its derivatives portfolio to Sumitomo Bank Capital Mar-

Court ruling which will force smaller rivals to continue to Many companies have publish commercially sensitive become increasingly nervous about using derivatives, follow-The Federal Communications Commission, the indus-Gamble, and others.

try's regulator, had earlier ruled that MCI, the second While it is highly unusual largest carrier, need not pub-lish details of agreements for a company to farm out all its derivatives management to an outside specialist, the growing need for sophisticated operwhich did not match the company's published tariffs. The ruling, though, was overturned in a federal appeals court, a decision that has been confirmed in the Supreme Court. The courts ruled the FCC had exceeded the discre-

ational controls and computer systems when using derivatives has made it increasingly difficult for companies to manage risk effectively in-house. SBCM will take over the risk management activities of Con-federation Treasury Services

under guidelines and policies

set by the company. "We will manage their books, but some transactions will require authorisation," said SBCM.

It will use its Prism front-tohack office system, developed in-house, to perform services such as daily valuation, risk analysis, trade confirmations, payments and rate resets.

Prism supports SBCM's curing losses in recent months by rent portfolio of over 10,000 Metallgesellschaft, Procter & swap transactions in 17 currencies. SBCM's Derivatives Products Group has 170 employees in New York, London and Hong Kong, having poached teams from Pru-Bache and Security Pacific in the late

• Finex Europe, the Dublin floor-traded currency futures exchange which is part of the New York Cotton Exchange, traded 8.800 contracts, worth a total of \$861m, on its first day of operation last Friday, writes Tim Coone from Dublin.

This announcement appears as a matter of record only.

31st May, 1994

The COPERATIVE BANK

The Co-operative Bank p.l.c. (incorporated with limited liability in England with registered number 990937)

£400,000,000

Euro Note Programme

Arrangers

UBS Limited

Schweizerische Bankgesetlschaft (Deutschland) AG

Merrill Lynch International Limited NatWest Capital Markets Limited

UBS Limited

S.G.Warburg Securities

for DM issues

Schweizerische Bankgesellschaft (Deutschland) AG

Japan Leasing Corporation US \$50,000,000

The interest payable on December 19, 1994 will be US \$13,081.25 in respect of each

business days after the date of this lice, Calbank, N.A. has been replaced Yours faithfully CITIEANK, N.A.

MITSUI FUDOSAN CO., LTD. DEVELOPMENT CO. LTD.) YEN 30,000,000,000 PLOATING

TRIZEC CORPORATION LTD. NOTICE OF MEETING OF HOLDERS OF THE FOLLOWING SECURITIES ISSUED BY TRIZEC CORPORATION LTD.

AMENDED NOTICE - NEW MEETING DATE

NOTICE OF MEETING OF DEBENTUREHOLDERS

9%% Senior Debentures to mature November 15, 1993; 10%% Senior Debentures to mature June 1, 1998; 6-%% Bonds 1983-1993; 11-4% Senior Debentures to mature March 15, 1995;
5-4% Bonds 1985-1995;
94% Senior Debentures to mature September 13, 1995;
10% Senior Debentures to mature October 1, 1996;
5% Bonds 1987-1999; Senior Debentures to mature 1995; 104% Senior Debentures Due Jane 22, 1999 and 104% Senior Debentures Due June 22, 2009;

Senior Debentures to mature 1997; Senior Debentures to mature 1995; Floating Rate Notes to mature 1995; and 11.125% Senior Debentures Due June 18, 1996; (collectively, the "Debentures")

NOTICE IS HEREBY GIVEN that, pursuant to an order of the Court of Queen's Bench of Alberta (the "Court") dated May 10th, 1994, as amended by a further order of the Court dated May 25, 1994, and by a further order of the Court dated June 13, 1994 (the "Second Amended Order"), an adjourned meeting (the "Debentureholders Meeting") of the holders of the Debentures (the "Debentureholders") of Trizze Corporation Ltd. (the "Company") will be held in the Bankers Hall Auditorium, 315 – 8th Avenue S.W., P-3 Level, Calgary, Alberta, Canada on the 5th day of July, 1994 at the hour of 3:30 e'clock p.m. (Calgary time), for the following

to consider, pursuant to the Second Amended Order, and if deemed advisable, to pass, a resolution (the "Resolution") to approve an arrangement (the "Plan of Arrangement") pursuant to section 192 of the Canada Business Corporations Act, the full text of which Resolution is set out in Appendix "E" to the Management Proxy Circular mailed or otherwise made available to

to transact such other business as may properly be brought before the Debeatureholders Meeting or any adjournment thereof. At the Debentureholders Meeting, each holder of Debentures will have one vote for each Cdn. \$1,000 principal amount of such Debentures held (the principal amount of Debentures payable in other currencies for such purposes to be converted using exchange rates prevailing as of April 25, 1994, being U.S. Dollars 1,3813, ECU 1,5859 and SFR 9646 as specified in the Second Amended Order).

The Court has set the quorum for the Debentureholders Meeting as two or more persons entitled to vote in person or by proxy holding in the aggregate at least a majority of the outstanding principal amount of the Debentures determined in Canadian dollars as provided

The record date for entitlement to notice of the Debentureholders Meeting is the close of business on May 11, 1994. The record date for entitlement to vote at the Debentureholders Meeting has been established as 10 days prior (excluding the date of the Debentureholders Meeting) to the date of the Debentureholders Meeting and only those Debentureholders who (i) as registered Debentureholders are entered on the applicable register of Debentures or (ii) as holders of unregistered Debentures, have complied with the deposit procedures referred to below, are entitled to vote in person or by proxy.

Holders of Debentures in unregistered or bearer form desiring to attend and vote in person or by proxy at the Debentureholders Meeting or any adjournment thereof, without producing such Debentures, may deposit same with a custodian listed below and will receive in exchange a Voting Cartificate(a) which will entitle the holder named therein to be present and vote on behalf of the holder at the Debenturcholder at the Debe reholders Meeting and any adjournment thereof. Debentures so deposited will be held on deposit until after the Debentureholders Meeting and any adjournment thereof and will only then be returned to the depositor on presentation of the receipt

A Debentureholder may attend the Debentureholders Meeting in person or may appoint another person as proxyholder. To appoint a person to attend as proxyholder, a Debentureholder must deposit with the Company, c/o Montreal Trust Company of Canada at the address specified below, an instrument appointing the proxyholder, signed by the Debentureholder or an attorney of the Debentureholder, prior to 5:00 p.m. (Calgary time) on the second day (Saturdays, Sundays and holidays in Calgary excluded) preceding the date of the Debentureholders Meeting or any adjournment thereof or with the Chair of the Debentureholders Meeting prior to the commencement

The forms of proxy, which accompanied the Management Proxy Circular, name Kevin E. Benson and Willard J. L'Heureux, each a director and officer of the Company, as proxy nominees. Debentureholders may appoint another person as proxyholder by inserting the name of such person in the space provided in such form of proxy or by completing another valid form of proxy. Persons appointed as proxyholders need not be Debentureholders. Debentureholders may not appoint Montreal Trust Company of Canada, the trustee for the

The vote required to pass the Resolution is, subject to further order of the Court, the affirmative vote of not less than two-thirds of the votes cast by the Debentureholders, voting as a single class, in respect of the Resolution. The Plan of Arrangement is subject to the approval of the Court. The matter is scheduled to be heard before Mr. Justice G.R. Forsyth at The Court House, 611 — 4th Street S.W., Calgary, Alberta, Canada at 9:30 a.m. (Calgary Time) on July 19, 1994. Additional details concerning such hearing are set forth in the Management

If Debeatureholders have any questions about the procedures to be followed to qualify to vote at the Debeatureholders Meeting or about obtaining, completing and depositing proxies and voting certificates, they should contact Montreal Trust Company of Canada at (403) 267-6893.

DATED at Calgary, Alberta, this 14th day of Juna, 1994.

By Order of the Board of Directors,

(Signed) KAREN E. JACKSON Senior Vice President, General Counsel

Montreal Trust Company of Canada 151 Front Street West

Attention: Corporate Trust Departm

Toronto, Ontario Canada M5J 2N1

67 Roulevard Grand Duchesse Charlotte

Cedel S.A.

Debentureholders who are unable to attend the Debentureholders Meeting in person are requested to date and sign the applicable form of proxy which accompanied the Management Proxy Circular and either deliver or mali it in the excelope provided to Trizec Corporation Ltd. c/o Montreal Trust Company of Canada, 4[1—8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E7, prior to 5:00 p.m. (Calgary time) on the second day (Saturdays, Sundays and holidays in Calgary excluded) preceding the date of the Debentureholders Meeting or any adjournment thereof or deposit same with the Canair of the Debentureholders Meeting prior to the commencement thereof. The time limits for depositing proxies prior to the Debentureholders Meeting may be waived by the Company in

Copies of this Notice and the Management Proxy Circular containing the Resolution and suitable forms of proxy are being or have been united by first class prepaid smill to all holders of fully registered Debentures and Debentures registered as to principal only. Additional copies of such documents and instructions and forms of voting certificates and proxies for the purpose of enabling the holders of suregistered Debentures to be present and vote at the Debentures Maeting in person or by proxy may be obtained from the following custodians in respect of the series of suregistered Debentures Indicated:

(a) For all series of Debestures in unregistered or bearer form:

Montreal Trust Company of Canada 411 — 8th Avenue S.W. Calgary, Alberta Canada T2P 1E7 Montreal Trust Company of Canada 510 Burrard Street Vancouvez, British Columbia Canada V6C 3B9 Attention: Corporate Trust Department Attention: Corporate Trust Department

Montreal Trust Company of Canada Euroclear Boulevard E-Jacquasin, 151 B-1210 Brussels, Belgium Place Montreal Trust 1800, avenue McGill College Montreal Oughee Canada H3A 3K9

Attention: Corporate Trust Department Canadian Imperial Bank of Commerce 309 — 8th Avenue S.W. Calgary, Alberta Canada T2P 2P2

(b) For SFR 109,000,000 6%% Bonds 1963-1993 SFR 109,000,000 5%% Bonds 1963-1995 SFR 100,000,000 9% Bonds 1967-1999:

Swiss Bank Corporation CH-8010 Zurich

(c) For ECU 56,000,000 94% Senior Debentures to mature September 13, 1995:

Alsacienne de Banque 15 avenue Émile

Global Investor / John Plender

Oil becomes a security risk barometer

political or for investors to know just how discounting such risks in advance. Yet the questions

Markets are

notoriously bad

cannot be sidestepped Would the dollar now be substantially lower and US bond yields higher without the row over North Korea's nuclear intentions? How far do recent rises in commodity prices reflect concern over global flashpoints? And to what extent are the more mundane political worries of the developed world exerting upward pressure on global bond yields?

It is hard to believe that the dollar can be playing much of a safe haven role when east Asian markets have resolutely failed to panic. Even in South Korea share price declines have been less than catastrophic, given the nature of the threat. And there are more fundamental questions, anyway, about what constitutes a safe haven in today's circum-

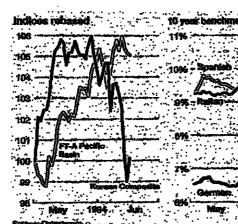
If the threat from rogue nuclear powers in the third world is one of global incineration, there is not much point in markets seeking to discount it. But for the outward-bound sur-

vivalists who persist in packing shotguns and baked beans. the currencies of the remote reaches of the southern hemisphere would seem a better bet than the dollar. If, on the other hand, the threat is one of destabilising regional conflict, the economic consequences may not be wholly adverse. It was, after all, the Korean War which set Japan on the path to its economic miracle.

As for commodities, the tra-

ditional bolt hole, gold, has not been notably buoyant. But is it really a safe haven any more? In a high-technology world where financial transaction costs have collapsed, it is much easier to transfer financial balances from one end of the globe to the other at the press of a button than to shift bars of

The barbaric metal, as Keynes called it, may be a hedge against political or inflationary risk in third world countries with under-developed financial markets. Yet the market which nowadays seems a more plausible barometer of security risk is oil.

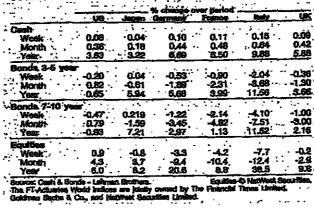


The threat of conflict in Korea could be expected to lead to precautionary stockbuilding. And now that there is a fully developed market in oil, complete with derivatives trading and the rest, hedge funds can add financial leverage to the equation. Sure enough, the oil price was rising strongly last week. It may not be quite the same as a safe haven, but it clearly struck some specula-

a safe bet. But where stock markets are concerned, past history suggests that investors prefer to address global flashpoints when the bad news actually occurs.

Tectonics

That is not to say that shifts in the global and regional politi-cal balance are unimportant.



Usually they are reflection of longer run changes in underlying economic strength. And a further lesson from history is that when a hegemonic power goes into political and economic decline, and is forced to cede its role to another leading actor, the transition can be associated with volcanic

unheavals in markets. Between the wars, when the US turned isolationist and was

Of these \$19.8bn were of infra-

structure - telecommunica

tions, power generation,

power and gas distribution,

railways, roads, ports and

water supply. Furthermore,

almost three quarters of the

total privatisations and two

thirds of the privatisations of

infrastructure occurred in

1991 and 1992 alone. What is

happening is little short of a

redefinition of the economic

come from the World Bank's latest World Development

Report, out today.* Just how big a change this is I can

recognise from personal expe-

rience. When I joined the staff of the World Bank in 1971, the

old orthodoxy - that develop

investment - was already

being modified by concern

calls for better project apprais-

als. But few questioned the state's role in the running of

such industries as steel, let

This is true no longer. The

shocking waste. This waste is

particularly significant in infrastructure, because infra-

structure is itself so impor-

tant. Without clean water, sewerage, roads, railways,

ports, energy and telecommu

nications, life is intolerable

and development inconceivable. Ironically, it is the cen-

tral place of these activities

that was used to justify the

state's role as provider. Too often this has meant that the

more vital is the service, the

On average, says the report.

40 per cent of the power-gener-

ating capacity in developing countries is unavailable for

production. Only 60 per cent

of locomotives were available for service in Latin America

worse it has been run.

ason for the change is the

alone power.

ment simply demanded higher resource mobilisation and

role of the state.

Between 1988

and 1992, 25

developing

countries

vatisations

total no less

than \$61.6hn.

worth,

reluctant to see the dollar take over sterling's role in the global system, international capital flows were subject to interruption, trade friction turned into rampant protectionism, stock markets crashed and currencies were prone to sustained misalignment. In the 1980s and 1990s the transition is more complicated. To the extent that the US is passing

discomfort to a single hegemonic power but to more than one country,

tant to be primus inter pures.
We also have the additional hazard that the relatively stable bipolar nuclear world has given way to a more fluid and less easily defined political order. It is not surprising then that over the past two decades or more, when the Japanese have given in to US pressure to support the dollar, the world has once again seen constant interruptions to capital flows, growing resort to bilateralism in US-Japanese trade relations and a Japanese version of the

with the developed world's

only big creditor, Japan, reluc-

1929 Wall Street Crash. One lesson is that when the global system is coping with huge adjustments in the balance of power, currency markets need to be free to act as an escape valve for the pres-sure. The collapse of the Bretton Woods system was, after all, a symptom of what the historian Paul Kennedy identified as imperial over-reach in the US. The point applies with equal force to regional power shifts, such as German remin. cation. At times like this the tectonic plates are not prome to obey the dictates of fixed

Southern

In contrast, bond markets this year have not only failed to act as an escape valve, but have added to political risk, at least in the short run. Take fray, where the yield on 10-year benchmark bonds have topped 10 per cent. The resulting high real interest rates savagely impair the Berlusconi govern-ment's ability to stabilise a huge inherited public sector debt stock. Spain, whose bond yields have also topped in per cent, faces a comparable hind

Yet these are countries with a dismal record in managing their public finances. The Ral ian administration consists of a motley collection of politicions, short on experience, the Spanish government is discredited by scandal and corruption. If the effect is to stiffen the sinews of the politicians and force them to confront the need to raise taxes and cut expenditure, the longer run impact will prove benign. The alternative - a prolonged bond market strike and hyper-inflation - is not a recipe for stabilising anything.

COMMODITIES

Aluminium figures awaited

The aluminium market is anxiously awaiting today's production statistics from the International Primary Aluminium Institute to make sure that the voluntary cuts in output agreed by the big producing countries earlier this year are

continuing to bite.

It is widely anticipated that the IPAI figures will show production in May, in countries outside the former Soviet Union, fell by about another 600 tonnes a day. This follows a drop of 570 tonnes a day in April and one of 632 tonnes in

March. By April the annual production rate had fallen to 14.4m tonnes, a drop of 3.2 per cent and equivalent to 486,000 tonnes of aluminium.

research manager at Billiton-Enthoven Metals, says further falls in the daily output rate can be expected in June and July. Nevertheless, he suggests that there will be no substantial fall in the highly-visible London Metal Exchange stocks - now standing at more than 2m tonnes - this summer.

road to recovery, he recalls that when aluminium seemed to be recovering from the last recession in the 1980s LME Mr Angus MacMillan, stocks stopped falling and prices slumped again. Mr Stewart Spector, who pro-

industry has started on the

duces the Spector Report on the aluminium industry, says the IPAI statistics show that many smelters have not cut output as quickly as their formal announcements suggested. However, because production is declining and demand is ris-

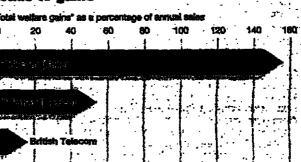
There will be a full industry recovery in 1995 and produc tion in 1996 will be nearly 100 per cent of capacity.' Also today in Moscow the

second round of negotiations will take place between De Beers, which controls 80 per cent of the uncut diamond market, and Russian officials about a new contract with the cartel organised by the South African group. Some Russians are seeking large changes and it is unlikely that agreement

Economic Eye / Martin Wolf

Privatising the world

How privatisation of telecommunications leads to gains



in 1991. In sub-Saharan Africa, almost \$13bn worth of roads one third of those built in the past twenty years - have eroded because of lack of maintenance. In a 1988 study of Nigerian manufacturers, 92 per cent were found to own their own power-generating equipment because of the chronically unreliable public service. But these were operating at only 25 per cent of capacity, because the govern-

ment forbade them to sell their surplus power.
Whom the gods wish to destroy, they first make mad. Nor is the price of such follies small. Developing countries invest \$200hn a year in infra-structure, which accounts for almost 60 per cent of total oublic investment in the middle-income countries. But failure to charge adequately for power, water and railways imposes an annual fiscal burden of some \$120bn, the benefits of which accrue disproportionately to the better off.

Improved efficiency could.

argues the Bank, also increase developing country gross

domestic product by \$55bn. As the chart shows for pri-

tions, the gains from a transformation can be enormous. This is why the policy agenda on infrastructure has moved away from concern with investment towards concern measure of development in infrastructure' The report's main message

is that "the causes of past poor performance, and the source of improved performance, lie in the incentives facing providers". Its main recommendations are: first, manage infrastructure like a business, not a bureaucracy; second, introduce competition wherever feasible; third, give users and other stakeholders a strong voice; and, fourth, nurture public-private partner-

ship, notably in finance. How can these improve ments be made? Infrastructure, notes the report, can be provided in four main ways: by public ownership and operation; by public ownership, with private operation; by pri-

vate ownership and operation, often under regulation; and by community and user provi-sion. The first, though the classic approach, is the least effective by far. Admittedly, public entities do sometim perform well for a time, but they usually succumb to political interference in the end.

The others alternatives all have some merit, depending on circumstances. But privatisation is the obvious route wherever competition is feasible. Contrary to the views of many economists, privatisation can also be the best alternative for monopoly services. This is mainly because privatisation automatically creates separation from government, along with a powerful coun-

in the form of shareholders. As with any revolution in how best to regulate privatised utilities, for example, or how to involve the private sec tor in infrastructure provision. But this is already a hugely encouraging transfor mation, not least because it dethrones the foolish belief that the level of aggregate investment matters more than where and how investment is implemented. This folly is the main reason why the real income per head of the Czech Republic, 60 years ago among the most industrialised coun tries in Europe, is only 40 per cent of Austria's, despite decades of high, but largely

wasted, investment. The report is, in fact, almos as relevant to advanced indus trial countries as to the developing ones. Just how relevant can be judged from the concentration, particularly in the political left, on the need for higher investment. While use ful, higher investment does not begin to be enough. This report shows that incentives must also be transformed, to ensure that scarce resources are used far less wastefully than hitherto.

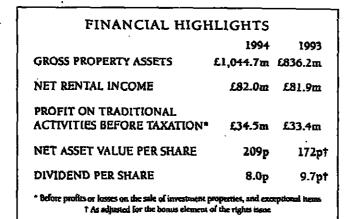
World Development Report 1994: Infrastructure for Development (Oxford University Press, for the World Bank)

Attractive elevations all round









"Great Portland has rarely been in better shape. Our basic strengths are apparent - sound finances, security of income from quality properties within a well diversified portfolio, and able and experienced management. We shall continue to build on these strengths and we face the coming year with confidence." Richard Peskin, Chairman and Managing Director

GREAT PORTLAND ESTATES

REGIONAL MARKETS 145.60 155.60 155.60 155.60 155.00 155.00 155.00 155.00 157.19 141.22 118.83 118.83 134.30 386.06 157.24 176.26 49.71 98.48 193.68 107.82 414.98 489.31 1685.44 7221.17 168.17 165.65 55.00 62.24 154.88 175.40 289.18 246.32 236.18 116.35 140.40 177.41 242.82 133.61 133.97 171.46 167.24
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EMERGING MARKETS: This Week

The Emerging Investor / Kieran Cooke

Kuala Lumpur mirage may prove fruitful

When Nomura Securities announced early last week that it was setting up a multi-milion dollar fund to invest in the Malaysian stock market, Kuala Lumpur traders thought the rescue boat had finally

The Kuala Lumpur market was one of the world's high flyers last year, rising 98 per

This year the story has been different. Analysts said that the new Nomura fund could be investing as much as M\$7bn (\$2.7bn) in Malaysian stocks. There were hopes of an upturn in a market that had dropped 20 per cent since the beginning

In the event it was all some thing of a mirage.

Somewhere along the line someone had got the figures wrong. Yes, the Japanese were investing - but the figure was closer to M\$700m than M\$7bn. Yet a bullish breeze is beginning to blow through Kuala

Daily trading volumes have increased from only 50m shares at the end of May to an average of more than 300m last week. Foreign institutions have become cautious about what is regarded as one of the most volatile bourses in the region, but locals are piling

"The amount of liquidity in this market is fairly amazing," says Mr Lum Ming Jang of Phileo Peregrine Securities in

"It was the retail sector, not the institutions, which drove the market to all-time highs at the end of December and in early January. After a few months rest it looks like the individuals are coming into the market again - the difference now is that while volumes have increased there has been no big jump in values."

1993 was the year Kuala Lumpur firmly established itself as the leading market in south-east Asia. The retail sector caught stock market fever. On some heady days last year trading volumes in Kuala Lumpur exceeded those of New

Kuala Lumpur became a favourite off-loading point for foreign funds searching for investment opportunities in

Out of an estimated total of \$20bn that was transferred from developed markets to the bourses of Asia Pacific over the year, about \$4bn went to Mal-

Kuala Lumpur's market capitalisation rose more than 150 per cent in 1993 to M\$620bn: the KLSE now ranks fifth in terms of market capitalisation in Asia Pacific behind Tokyo, Osaka, Hong Kong and Sydney.

Kuala Lumpur also has a significant influence on the smaller Singapore bourse. It is estimated that up to 60 per cent of Singapore's daily trading volumes are in Malaysian stocks, traded on an over-thecounter basis.

Ten best performing stocks Guney Biractilik Alarko Holding Turkey 1,4791 0.5377 0.9003 Kec Holding 0.2930 45.85 0.0448 0.2219 0.3087 0.0521 30.70 2,4477 27.11 0.5220 0.0949 0.2605 Kordosa 0.0506

After the euphoria of last year and the sharp correction in early January, there seems little consensos on future mar-

ket trends. Mr Eugene Morais, regional director at Baring Securities, says that with the Malaysian economy expected to grow at well over 8 per cent this year he is advising clients to overweight Kuala Lumpur stocks on a regional

"The good quality rather than the more speculative stocks are the ones to go for in this quiet period" says Mr

Mr Manu Bhaskaran, a regional analyst with Crosby Securities, has a more cautious view. "Kuala Lampur is still the most expensive market in the region with p/e's running at 23 or 24 times. In the long term prospects are good but investors should be wary." Most of Malaysia's economic fundamentals look good.

Exports grew about 20 per cent in the first two months of

After a sharp drop in both foreign and domestic investment last year there was a large jump in investments in the first quarter of this year. Officials are confidently predicting annual growth of more than 7 per cent over the next

25 years. The government has commit-ted itself to a multi-hillion dollar infrastructure programme. Infrastructure related stocks are some of the hottest items on the market.

On the negative side, imports, much of which comprise capital equipment like aircraft and power generation materials, have surged this year. Inflation is edging up to near the 5 per cent cent level.
In the past local investors have paid scant regard to fun-

In Malaysia politics and business are closely interlinked. strict new guidelines on corpo-

Political connections are often rate manoeuverings such as viewed as more important than reverse takeovers and backbalance sheets. The shares of door listings. companies with known or per-ceived links to figures in the Locals have blamed the SC for this year's market malaise.

government hierarchy were There is no use having a clinithe star performers last year. cally clean market if it's a dead A main reason for the recent market," said one broker. retail rally has been talk of a general election, possibly as "Misinformation and rumour

mongering, not regulations, stand in the way of a fundaearly as August. The government led by Dr Mahathir Mohamad, is in no mentally sound market, countered Mr Mohamed Abdul danger of losing its strong con-Matid, the SC's chairman. trol over virtually every aspect International fund manager

of the nation's life. say policy changes by Bank Negara, the central bank, have Elections, however, are a time when so called "money been a dampener on market politics" comes to the fore, of In January Bank Negara the granting of favours to politically supportive groups and started imposing a series of measures to prevent foreign

A combination of rising interest rates in the US and Malaysian dollar. falling bond prices caused a Fund managers say a lack of sizeable chunk of foreign funds to be withdrawn from the consistency in Bank Negara policy, coupled with trouble Malaysian market this year. some regulations on the move-Many institutional fund managers, frightened by the

ment of currency, has deterred many foreign investors. highly speculative nature of the market, baled out before The Japanese, however, seem undeterred by the nega-

tive factors. One factor that has made The amount of funds from foreigners wary of Kuala Lum-Japan being invested might pur has been a number of not be as spectacular as at first abuses in share transactions envisaged but it's still being and the lack of market transseen as a significant move. We are very bullish on the

In recent months a newly Malaysian market," said one formed Securities Commission has made considerable prog-Japanese fund manager. Not everyone will follow Japan's lead. Late last year ress in righting some of the more blatant deficiencies of the Japanese investors plunged market. The SC has issued into the Malaysian market and got badly burnt.

News round-up

Strategy

Having caught the top of the emerging market bubble before the storm broke at the start of the year, reducing allocations in, for example, Hong Kong, Thailand, Turkey and Poland, Foreign & Colonial Emerging Markets now believes that the time is right

to move back in. Mr Arnab Banerii, F & C's chief investment officer, notes that the downturn in speculation on the ringgit, the performance experienced this rear has left exceptional scope for outperformance henceforward. He remains

bearish on Hong Kong, favouring South Korea and Taiwan. In Latin America Argentina and Peru feature while he is neutral on Brazil for the time being. Elsewhere, F & C favour Portugal, and

have slightly increased allocations in South Africa

■ Cairo

Baring Securities emerging markets indices

An acceleration of the country's privatisation programme is planned, with the sale of assets worth up to E£3.2bn between now and the end of the year, Reuter reports Mr Atef Obeid, the Public

Sector minister, said the reform programme now had its own momentum and slowing down was out of the

He said the government had exceeded its privatisation targets for the period up to worth E£3.5bn and offering for sale assets worth E£6.2h

Jakarta

Indonesia's total foreign investment approvals reached \$5.1bn in the first five months of 1994 and should exceed Antara news agency said.

■ Harare

Zimbabwe has said that it intends to speed up the state-owned companies which are a drain on the economy. Last month the government said that it would commercialise the operations of the Dairy Marketing Board, the Cold Storage Commission and the Cotton Marketing

Emerging markets coverage appears daily on the World Stock Markets page

CURRENCY MARKETS

Markets focus on dollar under pressure

Foreign exchange markets will continue to focus attention on the dollar, which was under severe pressure last week as US Treasuries fell and the outlook for recovery in Europe

In the absence of concerted the dollar plunged below significant technical lows against the D-Mark last Friday, analysts expect the markets to push down the US currency in an effort to test the resolve of central banks to take action.

Traders will be watching for changes in the US and European bond markets for clues on how currencies will perform. Some observers say bearish sentiment will dominate global

bond markets with inflationary concerns causing jitters in US Treasuries and worries about excessively strong growth in Germany hitting the bund mar-

In recent weeks the dollar has been linked to US Treacentral bank intervention after suries. Although the US currency showed an poward trend last Friday as falling commodity prices gave US bonds a lift. the Fed has not eased inflationary concerns and Treasuries are likely to remain vulnerable next week, bringing the dollar

down with them. In Europe, where the link between currencies and bond markets is reversed, the D-Mark and the Swiss franc are likely to benefit from the

fall in European bonds. Without any key statistics to guide the market this week,

foreign exchange traders will look to the release of the Fed's tan book on Wednesday, which helps it evaluate the US economy in advance of the July 5-6 FOMC meeting. Although figures which emerged from the US last week suggested a moderation in the

pace of expansion, officials are still worried about inflation and analysts expect the tan book will do nothing to dampen expectations of further tightening by the Fed during the summer months. The markets will also be

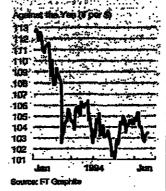
Budget Committee next Wednesday. Mr Greenspan will be discussing inflation and interest rates, giving currency traders an indication of US

monetary policy. In Germany, analysts are expecting data next week to show further strong growth in the M3 money supply measure for the month of May. M3 growth rates have this year far exceeded the target range of 4 to 6 per cent.

increasing optimism about German recovery have caused expectations of a German interest rate cut to recede, giving strength to the D-Mark. Sterling may have trouble

rising above \$1.52 as markets

have been reluctant to buy the



Metoko Rich

the plunge in share values.

parency.

pound above that level. This trend is also keeping sterling down against the D-Mark.

Index	17/6/94	Week on wee Actual	k movement Percent	Month on monti Actual	h movement Percent	Year to date Actual	movemen Percen
World (264)	155.92	-2.53	-1.60	+9.02	+6.14	-12.49	-7.4
Latin America							
Argentina (19)	105.96	-6.32	-5.63	-3.56	-3.25	-9.42	-8.17
Brazil (21)	147.88	-7.80	-5.01	+31.72	+27.31	+8.23	+5.8
Chile (12)	188.74	-0.00	-0.00	+21.66	+12.96	+41.20	+27.9
Mexico (24)	137.63	-4.62	-3.25	+5.95	+4.52	-23.64	-14.6
Latin America (76)	142.09	-5.42	-3.67	+12.47	+9.62	-7.16	-4.7
Europe							
Greece (14)	78.21	+0.53	+0.68	-10.75	-12.08	-4.88	-5.8
Portugal (14)	104.12	-3.91	-3.62	-10.51	-9. 17	~8.00	-7.1
Turkey (22)	80.06	+12.97	+19.33	+21.18	+35.96	-81.65	-50.4
Europe (50)	89.98	+1.04	+1.16	-4.27	-4.53	-22.26	-19.8
Asia							
Indonesia (20)	148.51	+0.23	+0.15	+3.61	+2.49	-22.53	-13.1
Korea (23)	126.23	-0.22	-0.18	-4.03	-3.10	+16.52	+15.0
Malaysia (22)	216.35	+4.03	+1.90	+7.37	+3.53	-36.70	-14.5
Pakistan (10)	110.36	+5.57	+5.32	+9.40	+9.31	-1.33	-1.1
Philippines (11)	276.09	-12.39	4.30	-6.42	· -2.27	-46.39	-14.3
Thalland (22)	229.48	-2.69	-1.16	+13.03	+6.02	-34.08	-12.9
Taiwan (30)	154.91	+6.70	+4,52	+5.14	+3.43	+1.20	+0.7
Asia (138)	200.69	÷1.87	. +0.94	+5.84	+3.00	-20,73	-9.3
All indices in \$ terms, Je	nutry 7th 1992-	100. Source: Baring	Securities.		-		

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 17, 1994 , in some cases the rate is nomine). Market rates are the avarage of buying a which they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are fied.

watching Mr Alan Greenspan's

testimony before the House

Alghenistan	(Atgreen)	3948.10	2508.29	1594.23	2510.72	Germble (Delast) Germany (D-Mark)	14,8065	9.7436	5.9783	9.4152	Pakistan (Pak. Rupea)	48.5247	30.6184	10.7864	29.5984	ı
Alberto	i delo	151.85	99,9941	61.3163	98.5850	Germany (D-Marid)	2,4785	1,8298	1	1.5748	Peneme (Balbos)	1,5195	1	0.8135	0.9652	1
Algeria.	(Leid) (Dinae)	57,45	37.8084	23.196	36,5341	Ghene (Cod)	1401.60	922,400	555.96	891.32	Papus New Quines (Kins)	1,4356	0.9448	0.5798	0.9131	•
Andorra.	(FrPr)	8,4480	5.5803	3.4116	5.3729	Gabrekar (Gab €)	1.00	0.8561	0.4037	D.#358	Paraguay (Gueran)	2730.25	1796.81	1102.48	1738.25	i
	(Sp Pessta)	880.80\$	134,971	82.8136	130.422	Greece (Drachme)	374,241	248.292	151.117	237.981	Peru Pieur Sol	3,3246	2.1879 27.0881	1.3424 16.6271	2.1142 28.1858	1
Angola	(New Kwarza)	148577.6	96464.3	59197,4	P3213	Greenland (Danish Krone)	9.7055	6.3872 2.6982	3.919	6.172	Philippines (Pesc)	41.1772	0.6581	0.4037	0.6550	1
Artigus	E Carr S)	4,10	2.8962	1,8555	2.6075	Granada (€ Carr S)	4.10 8.4490	2.5962 5.5809	1.6555 3.4116	2,8073 5,3729	Phosim is (C Starling) (NZ S)	1.00 2.5668	1,6583	1,0365	1,6323	1
Argentine	(Pesq)	1.5167	0.9951	0.8124	0.9845	Grindaphorbs (Todal E.)	1.5195	2.2003	0.8135	0.9862	Polend (Zlotv)	34347.2	22804.3	13868.5	21842.4	1
Acuba	(Florin)	2.7181	1.7868	1.0875	1.7295	Guern (US \$) Guettemale (Quettal)	1.3185 8.7285	5.7453	3.6245	5.6507	Portugal (Escucia)	267.471	189,445	. 103.006	183,734	ł
Australia	(Aus \$	2.0596	1.3615	0,8353 7,0591	1.8156		1483.10	978.045	598.869	943,148	Puerto Rico (US \$)	1,5195	1	0.8135	0.9652	1
Austria	(Schillen)	17.4821 257.471	11.5051 168.445	103,965	11,1173 165,734	Guines (F1) Guines-Bissau (Post)	18782.30	12360.8	7584.21	11944.2						1
Azores	(Part Escudo)	23/A/1	108443	100,000	1027.54	Grigera (Gujeress \$)	203,783	134,112	82.2668	129,502	Cantaer (Flysd)	5,5277	3.6378	2.232	3.5152	1
											Reunion Is. de la (F/Fr)	8,4489	5.5803	3.4118	5,3729	1
Reherres	(Behame S)	1.5195	1	0.8136	0.9562	Helti (Goude)	18.2220	11.9921	7.3579	11.5879	Romania (Laci)	2537.48	1869.94	1024.62	1613.65	1
Behrain	(Diner)	0.5729	0.377	0.2313	0.3643	Honduras (Lampira)	12.2240	8.0447	4.9359	7.3796	Promote (Pr)	216,20(2)	142.284	57.300E	137.49	1
Balgaric is	(Sp Pesets)	205.088	134.971	62,8136	130.422	Hong Kong (HK S)	11.7449	7,7294 103,227	4,742 <u>5</u> 63,3365	7.4889 99.7475	St. Christopher & Carr St	4.10	2,6982	1.6565	2.6072	1
Bengledosh	(Taket)	60.0163	39.4987	24.2361	38.1674	Hungary (Forint)	166.653	103.227			St. Helène (C)	1,00	0.8581	0.4037	0.6380	ı
Berbedos	(Berb S)	3,0542 50,9928	2.01 33.5589	1.2332 20.5806	1,9422 32,4278	tealand (fealandic Kronsi)	105.65	70.1875	43.0848	67.8219	St Lucia (E Carr S)	4.10	2.8982	1.6555	2.6073	
Belgium	(Belg Fri		32.3509 1.9988	1.2263	1,9313	India Indian Aucesi	47.5533	31.3877	19.2462	30.2105	St Pierre (French Fr)	8,4480	6.5603	3,4116	5.3729	1
Belizo		3.0370	1.8900 558.032	341.163	837-291	Indonesia (Rupish)	3293.03	2157.18	1329,71	2084,14	St Vincent (E Carr S)	4.10	2.6982	1.8555	2.6078	1
Benir Remuda	(CFA Pr) (Bermasian S)	1,5195	330.004	0.8:35	0.0882	tran (PSet)	2959-00	. 1749.92	1073.69	1690.94	San Merino (hallen Lim)	2435.86	1802.95	983.517	1549.92	1
Physics 1997 - Leanne	Spiritinas Spiritinas	47.8633	31.3577	19,2482	30.3106	iraq (iraqi Dinar)	0.4721	0,3106	0.1906	0.3002 0.8477	Sao Tome (Dobre)	384,44	230.842 3.7505	147,159 2,3011	231.755 2.6241	•
Bolivia	(Bollvienci)	7,0665	4.6468	2.853	4.4931	irish Rep (Punt) Israel (Sheket)	1.0188	0.6703 3.0609	0.4113 1.878	2.9577	Saudi Arabin (Physi) Senegal (CFA Fr)	5,6089 844.80	57,500 57,000	341.163	537.291	1
Hobswaria	Pulaj	4.2200	2,7778	1,7043	2.8541		4.6511 2435.68	1802.85	983.517	1548.02		7,6760	5.0615	3.0985	4.8813	1
	(Cruzeiro Flozi)	2507.28	2318.04	14 <u>99.9</u> 7	2230.91	izaty (Lire)	2400-00	100000			Seychnika (Pupee) Siens Lagne (Lagne)	873.137	574.621	352.569	555.254	1
Brunel	(Brunel S)	2,3301	1.5334	0.9405	1.4817	Jernelos (Jernelos \$)	45.8457	30.8206	18.916	29.7905	Singspore (5)	2,3301	1,5334	0.9408	1.4817	
Outparie	(Lev)	91.7120	53.7755	32.9948	51.9631	Jepan (Yan)	157.256	103.482	63,4992	100.004	Storeide (Koruns)	48,8690	32,1612	19.733	31,0772	ł
Burlano Faso	(CFA Pr)	B44.86	55A.032	341.163	537.291	Jordan (Jordanina Dinas)	1.9537	0.6034	0.4954	0.57	Slovenia (Tolar)	197,62	130,056	70,7961	125.672	•
Burne	(Kiyan)	9.2750	8.1039	3,7452	5.8002	Kerret Kerret Shilling	85.84	55.1632	34,4590	54.2702	Solomon is (5)	4.D550	3.2615	2.0011	3,1516	1
Burund	(Burundi Pr)	380.22	258,806	157.500	248,153	Kenya (Kenya Shilling) Kinbad (Australian S)	20685	1,3615	0.8353	1,3156	Someli Rep. (Shilling)	3978,45	2618.25	1606,48	2530.02	1
						Kores North (Worl)	3.2848	2.1486	1.3183	2.0761	South Africa (Rend)	5.64840	3,8501	2.2396	3.5271	1
Cambodis	(Filet)	5314,75	3487.7	2145,07	3379.81	Korea South (Work	1227.34	807.726	495,585	760.602		7.2326g	4,7508	2,8204	4,5994 130,422	1
Cathoroon	(CIFÁ Fri	844.89	656,032	341,163	537.29 1	Kuwait (Quwaiti Direr)	0.4519	0.2974	0.1824	0.2878	Speln (Peasts)	205.088	134,971	82_8138	130.422	1
Canada	(Canadian S)	2,1109	1.3892	0.8523	1.3423		1093.32	719,528	441,476	895.275	Special Ports In	205.088	134,971	82,8136	130,422	1
Canary la	Sp Pesetal	205,088	134.971	82,8136	130.422	Lace (New Kilp) Lackie (Lack)	0.8543	0.5622	D3448	0.5432	N Africa (Sp Perenti) Sri Lentes (Ruper)	74,9469	49,5233	30,2632	47,6606	1
Cp. Verde	(CV Escudo)	128.184	84.3583	51.7601	515,16	Lebenon (Lebenon)	2555.72	1581.95	1031,98	1625.28	Sri Lente (Rupes) Suden Rep (Diner)	53,3753	35,1258	21.5527	33,9429	ı
Cayment is	(CI S) (CFA Ft)	1,2452	0.8194	0.5028	0.7918 537.291	Lesotho Guisti	5,5464	3,5501	2.2396	3.5271	Suchen (Guilder)	27105	1,7838	1.0844	1.7238	i i
Cont.Air. Rep	(CFA Fr)	844.50	556.032 556.032	341.163 341.163	537.281	Liberia (Liberian S)	1,5195	i	0.6125	0.9862	Swedienci (Literatori)	6,5464	3,6501	2.2395	3.6271	1
Ched	(CFA Fr)	844.89 646.376	425.287	261.004	411.05	Libys (Libyso Diner)	0.4877	0.3209	0.1988	0.3101	Sweden (Krone)	11,9042	7,8942	4.8058	7.5702	1
Chille	(Chilean Peso)	13.1540	8.6567	5.3115	6.365	Liechtenstein (Swiss Fr)	2.0824	1.5704	0.8408	1.5242	Switzerland (Pr)	2,0824	1.3704	0.8406	1.3242	
China China	(Yuen) (Cal Page)	1252.79	824,475	505.871	798.887	Lithupnia (Litro)	8.0740	8.9973	2.4525	3.8625	Syria. (2)	31.1294	20.4885	12,5800	19.7961	1
Colombia CISI 4	(Pouble)	0.95680	0,6298	0.3863	0.5084	Lumembourg (Link Fr)	50.9828	33.5589	20.5906	32.4278	Taiwan Si	41.1084	27.0525	16,5985	26,1407	1
~~ T	4	2963.54m	1963.5	1204,74	1997.52	Maceo (Petecs)	12,1255	7.9798	4.8982	7.7108	Terrania Shilling	782.03	614.863	315.78	497,316	1
Compre	(CFA Fr)	544.89	556.032	341.163	537.29 1	Madeosscar IMG Fr	4251.80	2795.16	1718,85	2703.85	Theliand (Bels)	38,2294	25,1591	15,4368	24.3112	1
Congo (Bra	122) (CFA Fr)	844.88	558,032 154,877	341.163 95.0272	1537.291 149.657	Madeiro (Port Escudo)	257.A71	166,445	103,968	.163.734	Tago Rep (CFA Fr)	844,88	568,092	341.163	537-291 1,3166	,
Costs Rick	(Colon) (CFA Fr)	255,335	134,077 658,032	841.163	537,291	Malanel (Kreache)	10.6765	7.0276 2.6042	4.8119	6.7907	Tongs & (Pa Angs) Trinidad/Tobego (S)	2.0688	1.3615 5.6844	0.8353 3.4877	5.4828	ı
Côte d'Ivoire		844.89 9,2182	8.0858	3.7222	5.8621	Maleysia (Pirogit) Makifes in (Padiya)	3.9419		1.5917 6.984	2,5057 10,998	Trinidad/Tobego (S) Turnista (Dissa)	0.6575 1.6366	1,0133	0.6217	0.0702	ł
Crossia	(Kuns) (Cuben Peso)	1.1500	0.7506	0.4543	0.7313	Madi Rep (CFA Fr)	17.2960 844.89	11,3826 658,032	341.163	587.291	Turkey (Line)	47254.94	31000	18081.3	30050.8	ı
Cuba	(CAbura ()	0.7522	0.485	0.3037	0.4783	Mate Otatos Uni	0.5786	0.3794	0.2326	0.3886	Turko & Calcon (USS)	1.5195	1	0.6135	0.9862	i
Cyprus Caach Rep.	(C) profundi	44,0010	28.9675	17.7874	27.9815	Martinious &cost Fr	8.4430	5.5803	3.4118	5.3729	Tunedu (Austraßen S)	2.0888	1,3815	0.8853	1.3156	
Degament	Danish Krone)	9.7055	6.3672	3.919	6.172	Mauritania (Ougulya)	185,925	122,359	75.0767	118,295	Ugenda (New Shilling)	1463.20	958.387	566.796	924,154	Į.
Distant Rep	(Dith Fri	269.85	177.591	108.954	171.505	Mauritius — Silver Ruped	27,1615	17.8752	10.9676	17.2728	Ulgreine (Karbovensta)	22929.5	15090.2	9257.83	14581.6	1
Dominica	Æ Cento \$	4.10	2,6982	1,8555	2.6073 12.7487	Medco (Medcan Pest)	5.1162	3.3663	2.0554	3.2629 5.3729	UAE (Dimen)	5,6005	3,6658	2.2614	3,6815	
Dominican Ri	ep (D Pesci)	2010442 3103.80o	13,1913 2042,65	1253.3	1973.8	Micpolon (Local Fr)	8,4480	5,5903	3.4116	5.3729	United Kingdom (3)	1.00	0.6581	0.4037	0.6368	┝-
Ecuador	(Sucre)	3103.900 3310.33a	2178.57	1338.7	2105.14	Monaco (French Fo	8.4489 507.40	5.5803 399.737	3.4118 245.265	5.3728 388.284	United States (US 5)	1,5195	1	0.6185	0.9662	
		5.1460	3.3668	2.0779	3.2724	Morgolia (Tugrik)	4.10	2,6082	1.6355	2,5073	Unguey (Peec Ungusys)	7.5166	4.9467	3.0951	4.78	1
Egypt Ej Selvador	(Egyptian £) (Colon)	13.2717	8,7342	5,359	8.4390	Montantat (E Carr S)	13.9170	9.1589	5,0196	8.8602	Vancatu (Vetu)	174.281	114,695	70.3759	110.681	1
Equati Guine	CFA Fr	844.89	558.032	347,163	637.281	Morocco (Dirham) Mozambique (Metical)	8771.16	5772.30	3541,75	3677.84	Viction (List)	2435.88	1602.95	983,517	1548.02	۱.
Estorio	Europri	19.9032	13.0965	5.0368	12.857					_	Vanazijela (Brikar)	259,446	170.744	104.783	164.90	1 1
Ethop-s	(Egylopian Birr)	8.3510	5.4964	3.5724	5.8111	Numble (S.A.Rand)	5.5464 2.0688	3,6501 1,3615	2.2395 0.6363	8.5271	Vietners (Dong)	10051.9	10958.8	0723.97	10589.4	į l
						Neuru is (Australian S) Necel (Necelean Ruses)	74.7860	1.3615 4 9.2 175	30.1982	1.3158 47.5588	Virgin to-Bathin (US 5)	1.5195	2	0.6135	0.9882	1 1
	Falk D	1.00	0.8681	0.4037	0.6358	Ningal (Nepalees Ruped) Nathedands (Guilde)	2,7787	1,8286	1.122	1.767	Virgin le-US (US 5)	1,5195	1	0.6135		1 1
Feliand Is	(Pask 12) Donish Kroner)	9.7055	6.3672	3,919	£172	Mari Antilles (Alfadrier)	27181	1,7888	1.0975	1.7285	Western Samos (Thirt)	3.8795	2.5532	1.5686	2,4671	I
		2.2340	1.4702	0.802	1.4208	New Zostand 942 8)	2,5889	1,8893	1,0365	1,6323	Yeman (Rep of) (Fial)	86.30a23	68.1112	26,6551	58.1628	1 I
Fiji le Pinional	(Mortika)	8.2634	5.4382	3.3367	5.2549	Niceracus (Gold Cordobal	10,1468	6,5777	4,0472	8.4526	Yeman (Rep of) (Rial) Yeman (Rep of) (Dictor)	0.6884(3)	0.453	0.2779	0.4377	ı
France	(Fri	8,4489	5.5600	3.A116	6.3729	Mades Heb (CSAV HJ	844.80	556.032	341.188	537,291	Yugoslavia (New Dinat/(1)					i I
Fr. CtylAtrica	CFA FO	844,88	658,032	341.163 3.4116	637.291 5.3729	Nigeria (Neira)	32.6163	21.5003	13.1209	20,678	Zaire Rap (Zaire)	829.00	890.26	239,451	377.107	ΙI
Fr. Guissia	£.0¢8(+17	8.4488	<u> 5.5809</u> 101.415	62,2349	97.3968	Nonetty (Nor. Krone)	19,7689	7.0788	4,3433	8.8402	Zambia (forachi)	1062.85	986.680	429.216	675.962	ıı
Fr Pecific is	(CFP Fr)	154.10	101,415	-	207.000	Course State Course	n Men	0.9940	0.2302	0.372	Zimbahana (S)	12.11	7,9897	4.8860	7,7011	1 1

Riches June 16, 1994 United Kingdom 10.837145 United Seales \$1.42986 Germany DMS.22417 Japen Y146.603 European Currency Unit Raties June 17, 1994 United Kingdom 10.837145 United States \$1,17823 Germany DMS.52782 Japen Y121.770 ner. (a) From rate; (b) Borderote rate; (c) Commercial rate; (d) Controllad rate; (d) Elevation Importe; (d) Financial cate; (b) Exporte; (d) Non commercial rate; (d) Business rate; (d) Business rate; (d) Lower goods; (m) Mariest rate; (d) Financial rate; (d) Series and goods; (m) Mariest rate; (d) Financial rate; (d) Series and; (d) Series and; (d) Series and; (d) Commercial rate; (d) Series and; (d) Series an

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International PLC ("Daveton") announced the zevo ment of the dividends and redemption mortes payable in respect of the 9'k per cent Guaranteed Redemable Convertible Preference States 2004 ("Preference States") red by Dawson Rinance NV (the "lesser") (as contained in clause 2 of the deed poli issued by Dawson and clated as of 19th January 1989) with effect from 26th July eby confirm that the Preference Shares remaining outstanding on 27th June 1994 (the "Redemption Date") will be redeemed at paid up value, tog all dividends accused but unpaid on the Preserence Shaues at such date. Holders of the Preference Shares should present the certificates in respect of the

Preference Shares held by them, together with unmatured coursons relating thereto. to any of the paying agents noted below on 27th June 1994 for paym will be made against presentation and sumender of the relevant share certificate and coupons at such office, by sterling cheque drawn on, or by transfer to a sterling t maintained by the payee with, a town clearing branch of a bank in Lond Payment will be subject in all cases to any applicable fiscal or other laws and regulations On redemption, the lesset will cancel the Preference Shares and the share cer

Holders of the Preference Shares should note that their rights to convert the nce Shares into ordinary shares in the capital of Dawson have now ceased. By ouder of the board Dawson Finance NV

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ING BANK

June 1994

After last week's troubling late sell-off, which pushed the yield on the benchmark 30-year bond up to 7.44 per cent, traders and investors are likely to be grateful that the absence of any important economic releases this week should allow them to catch their breath.

The only two sets of data likely to have much of an impact upon prices are the April trade report and the May durable goods orders.

The trade numbers are out tomorrow and Donaldson. Luikin & Jenrette, the Wall Street brokers, predicts that the trade deficit of goods and services will have widened from \$7.5bn in March to \$8.5bn in April. The firm expects the deficit to have widened because it believes the recent slowdown in economic growth will have led to a larger fall

in exports than in imports. Normally, this would not prompt much of a reaction in freasury prices, because the bond market does not pay a great deal of attention to the

trade figures. Yet, given the fact that the weakness of the dollar helped to undermine Treasury prices last week as investors are always wary of imported inflation, any larger than expected widening in the trade deficit could unsettle the US currency, and with it

0 10 years 20 30
All yields are martely configuration
Source: Martil Lynch

Treasury prices As for the durable goods orders, DLJ forecasts a modest increase in orders of 0.2 per cent in May, compared with growth of 0.1 per cent in April.

LONDON

There seems little in prospect this week to help Britain's confused and uncertain gilts market recover its poise against a background of weak bond markets world-wide. In the face of investor

reluctance to buy fixed-coupon bonds, the Bank of England played safe on Friday by announcing the auction on June 29 of floating-rate gilts due 1999. However, instead of

welcoming the announcement as a step to protect the fixed-interest gilts market from further supply, the market slid sharply on the belief that the decision highlighted low confidence in conventional

With few domestic economic indicators due this week, today's broad money and M4 lending figures for May will be scrutinised for inflationary implications. The best that can be said is that they should cause little concern if they turn out close to the consensus forecasts of 5.8 per cent annual

Peter Norman

growth for M4 and £1.9hn for bank and building society

years 25

lending. Following last week's rarning from Mr Eddie George, the Bank of England governor, of higher interest rates at some point in the future, it will be a big surprise if Wednesday's minutes of his May 4 monetary meeting with Mr Kenneth Clarke, the chancellor, do not chronicle the end of the "bias towards

FRANKFURT

The stage is set for a volatile few days in the bund market ahead of two significant events later this week.

On Thursday, the Bundesbank's policy-making council holds its traditional out of town" meeting, this year in the east German city of Potsdam, near Berlin. As usual, the meeting will be followed by a press conference in which Mr Hans Tietmeyer. the Bundesbank president, is likely to comment on the state

of the German economy and

field questions on the course

of monetary policy. At around the same time perhaps at the press conference itself - the Bundeshank is set to unveil details of M3 money supply in May. After growth of more than 15 per cent on an annualised, seasonally adjusted basis in the previous two months, the consensus forecast is for a modest

reduction in the rate of growth

to about 14.5 per cent.

Any more than that and the

erk yleid ourve (%)"...

David Waller

market will be disappointed Evidence of a slowdown in bank lending or a pick-up in long-term capital formation will be deemed positive.

For the past two years the out of town meeting has gone hand-in-hand with a piece of good news. Last year in Leipzig, the Bundesbank cut the discount rate. This is unlikely to be repeated on Thursday but the central bank may have other surprises up

Japanese government bond prices have been weakening in tandem with international bond markets, but have also

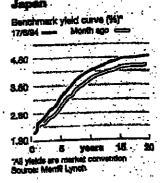
TOKYO

been hit by rising expectations of an economic recovery. Shifts in funds from bonds to stocks are likely to continue this week. Massive selling by

foreign and domestic institutions depressed the No 164 10-year government bond last week pushing up the yield to 4.41 per cent, the highest since June last year. Economic data to be released

this week is likely to confirm such views, placing further pressure on bond prices. The diffusion index for April, the leading indicator for business sentiment, which is scheduled to be released tomorrow, is expected to be sharply higher than the "boom or bust" line

The weakness in the government bond market prompted the ministry of finance to postpone its four-year bond offering for the splits



Emiko Terazono

government is expected to offer 10-year bonds next week and traders now regard the medium-term bond as unlikely to be issued this month.

"Recovery fever is gripping the market," says Mr Marshall Gittler, bond analyst at Merrill Lynch in Tokyo. He expects continued weakness in the bond market this week, with the yield curve steepening as the central bank is likely to maintain short-term interest rates at the current low levels.

Capital & Credit / Graham Bowley

The real reason behind rising yields

Bond markets have had a bad year. In the UK, government bond prices have fallen by more than 20 per cent, while yields have risen from below 6% per cent to more than 8%

Why have yields risen so far? Fears of rising inflation and higher interest rates can only be part of the answer. Yields, it is becoming increasingly clear, are rising because of a global

capital shortage.

The demand on the world's supply of capital is beginning to grow just as the lenders of that capital have deserted the market place. Bond investors hate inflation

and rising interest rates. When the Federal Reserve raised US interest rates on February 4, yields, especially on US and UK bonds, already on their way up, rose further still and the consensus had it that this was because expectations of inflation had increased.

There was some justification for this view. The gap between the yield on a conventional gift and that on an index-linked gilt, a useful measure of infla-

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actual inflation was running at almost half that rate.

However, a rise in inflation expectations can only be part of the explanation for the rise in bond yields. "It is interesting," says Mr

Simon Briscoe, an economist at S. G. Warburg, "that since then most inflation forecasts have actually fallen."

Investors must also be com-

pensated for risk and uncertainty. The Bank of England, in its latest inflation report, estimates that volatility in the gilt market doubled between January and May of this year. The Conservative party's protracted political woes, as well as currency risk and uncertainty about the strength of economic recovery are responsible for that

The British government's handling of economic policy has also been blamed. Certainly, the UK base rate cut on February 8, which, it was later revealed, Mr Eddie George, the governor of the Bank of England, had argued against, was taken very badly by the

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No doubt it was further unnerved by recent talk of tax cuts to boost the Conservatives' standing.

Increased risk, however, is not enough to explain the rise in yields. This leaves one other explanation: yields have risen because the real yield, the yield over and above inflation and risk, has increased.

Last year, funding the large European government budget deficits was easy. A scarcity of other worthwhile investments, with most of Europe still in recession, and relatively low financing costs - due to falling interest rates - meant that investors willing to buy government bonds were easy to Mr Sanjay Joshi, head of

bond research at Daiwa Europe, estimates that last year £16bn of gilts were bought by overseas investors, mainly the Japanese, the Americans and hedge funds - large pools of speculative capital which are switched between financial markets to exploit short-term

Now all that has changed.

unsustainable heights, have taken their profits and moved on, to commodities, it seems. Meanwhile, the Federal

Reserve has put up short-term interest rates, the US economy is growing strongly, and there is evidence that the European economic recovery is well under way. US investors, afraid that the

dollar will soon begin to rise, and the Japanese, seeing the yen continue to strengthen, have dropped bonds denominated in European currencies and taken their money home. "That colossal increase in government borrowing, which

we ignored while there was all that leveraged money around to mop it up, is now coming back to haunt us with a vengeance." says Mr Kit Juckes. international economist at S. G. Warburg. Mr Joshi estimates that the

hedge funds alone have taken back about \$40bn they had invested in bonds and equities. To say that the bottom has dropped out of the bond market is perhaps not an exaggera-

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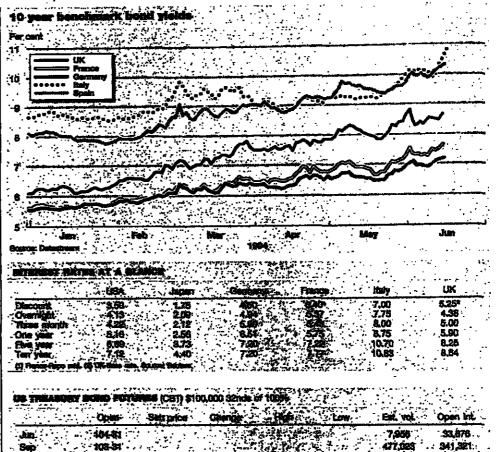
But it may even be worse than that. The government def icits have not gone away. On top of heavy bond sales by investors this year, there is still more new stock arriving on the market. The UK alone will probably have to issue about \$40bn of gilts to finance

its deficit this year. "Just who is going to buy the bonds that are still to be auctioned?" asks Mr Joshi, Some commentators have even spoken of a funding crisis.

This, however, may be missing the point. Real yields have certainly risen - to about 41/2 per cent in Germany and to more than 5 per cent in the UK, by some calculations. But this is not necessarily just because the supply of capital is

This leaves one final explanation. World economic growth is picking up speed, most importantly in the US, and capital will be needed to fuel that growth.

Bond yields have risen because of an impending global capital shortage. The bond market's had veer looks set to



International / Conner Middelmann

Italian deficit keeps investors at bay

Italian bonds took a pounding last week on fears over Italy's swelling budget deficit. And until Prime Minister Silvio Berlusconi makes a clear commitment to cutting the country's debt. investor confidence is unlikely to return in a

The first indications of his government's fiscal stance are likely to be unveiled within the ents its economic and financial programme to parliament, set-ting the guidelines for budgetary policies for the next three years. The document was to have been presented at the end of May, but was delayed as the government had only taken office a month earlier.

Moreover, just as the proramme was ready for publication, the country's constitutional court surprised policy-makers with a ruling requiring the state-run pen-sions system to pay L30,000bn compensation for underpayment of pensions since

This fuelled fears that Italy would be unable to meet this year's L144,000bn deficit target, which is already set to overshoot by L15,000bn, without a supplementary budget to cut the shortfall.

They have to revise their whole fiscal outlook as a result of the ruling," said Mr José

Luis Alzola, economist at Salomon Brothers, who expects the three-year plan to be the negative side" and sees litannounced by mid-July.

While the impact of the pension ruling on this year's funding may be moderate - if only because the government may spread payments over the next few years - it has served to highlight the market's unease over Italy's deficit outlook.

"After the euphoria following the elections, the market was reminded that the key issue remains the budget deficit and the debt outlook," said Mr Graham McDevitt bond strategist at market analysts IDEA. "The pension ruling magnified those risks."

Salomon Brothers' world government bond index shows Italian government bonds fell by 1.9 per cent last week, the sharpest losses in Europe. The yield on the 8% per cent

government bond due April 2004 had jumped to 11.03 per cent by Friday afternoon, from 9.93 per cent a week earlier. Its yield spread over German bonds widened to 388 basis points on Friday from 310 a week earlier. In late April the spread had narrowed to around 250 basis points. "That level reflected an over-

shoot - there was too much euphoria after the elections without real news on the budget front," says Mr Alzola.

tle reason for further substantial spread widening. On the other hand, "I don't think we will see a significant narrowing of the spreads until the economic plan is released and

W. 18

restrictive fiscal measures are implemented," he says. Having been elected on the promise of eventual tax cuts. Mr Berlusconi is likely to focus on spending cuts, rather than tax increases, to trim the defi-cit. And what better place to start than the state pensions system, which, before the ruling, was set to cost the govern-

ment around 14 per cent of GDP this year? "Painful measures are likely to be needed, as well as a shift towards private pension funds, so as to curb the increase in expenditure," says Mr Colin Warren, European economist at HILFE, a political and eco-

The government last week announced plans to promote the development of private pension funds. There are also plans to raise the retirement age from 60 to 65 for men and from 55 to 60 for women.

nomic research house in Lon-

"If they convince the market that they're serious about cutting spending, for instance on pensions, the market could

 which in turn could lower the interest burden on their debt," says Mr Alzola.

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But a far-reaching pension reform will take considerable time to implement, and some observers are arguing for indirect tax increases to boost revenue in the short term. "An increase in indirect

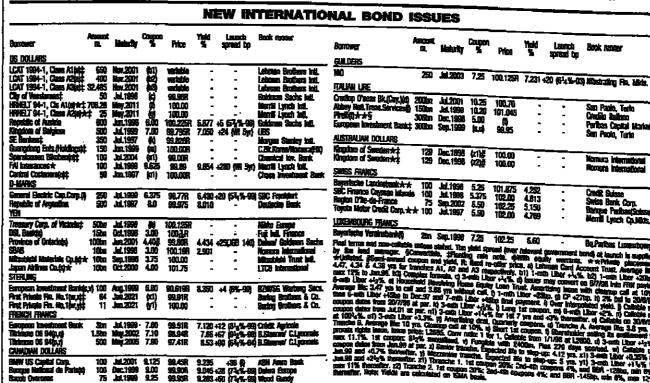
taxes . . . would have the greatest immediate effect,' argues Mr Warren at HILFE. However, higher indirect taxes could threaten the inflation outlook, further depress-

ing bonds. Dealers will be closely watching this week's release of June CPI data which may see the year-on-year inflation rate fall below 4 per cent for the first time this year.

In its budget plan, the government is also expected to address the problem of refinancing next year's masses of

Around L295,000bn of government debt matures next year, of which some L190,000bn is long-term. In comparison, this year has seen redemptions of L80,000bn.

The government was hoping to pre-fund some of this refinancing this year, but given the current condition of the bond market, "it is doubtful they will be over-funding this year," said one dealer.



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EQUITY MARKETS: This Week

NEW YORK

Opinion splits on the Dow's direction

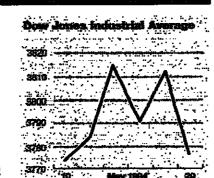
Has the four-month correction in the bull market run its course, or is the Dow destined to revisit its mid-April lows? Wall Street analysts are divided in their opinions, but there is a general consensus that the market could plod higher over the next few days.

At issue is whether stocks will begin a sustained decline in the face of unpleasant surprises, or whether the market will show the kind of resilience which slowly carried share prices to record highs last year.

Certainly, the action last week seemed like a reprise of the good old days which preceded February's shift in monetary policy. As expected, volatility increased, but when the dust settled after Friday's "triple witching hour", the Dow had managed a net gain of 3 points on the week.

Cyclical stocks, such as Caterpillar and Alcoa were also reinvigorated. "More market participants are becoming comfortable that the Fed did not abort the recovery, and it's showing up in renewed interest in economically sensitive stocks," says Alfred Goldman, an analyst at A. G. Edwards in St Louis, "That's going to drag the market unwards. just like in 1993. The bottom line is we are returning to a difficult.

stock-picker type of market."
Thomas McManus, a stock strategist at Morgan Stanley, acknowledges that the cyclicals have begun to return to their old form. However, he views their strength as one sign that the market is riding too high and ready for a fall. He fears investors have become too complacent in recent weeks. Their



Frank McGurty

ver-confidence has in turn increased the downside risk to share prices. As evidence, he points out that many of the "put" options taken out during the bearish days of April were not renewed after their expiration. estors have decided they don't need the protection.

Source: FT Graphta

On technical grounds, the positive mood should carry stocks forward, he says. "The fact that investors have let their puts expire creates support for the market, because hedges sold against those puts are bought back." So why worry? Because the market is in a lose-lose situation, says Mr McManus. If the economy continues

to resist the Fed's efforts to slow it down, look for a further tightening and a fresh sell-off. The more likely scenario, be says, is that the central bank has already pushed rates high enough to cool the economy, putting a pinch on corporate earnings.

If so, look for more companies to join PepsiCo, Hasbro, Unisys and others which issued profits warnings last week. "This is the time when corporate America begins to confess," the Morgan Stanley analyst says. "Indeed, it is really this period, before the reporting season, which is the most dangerous

LONDON

index stands firm against summer storms

The stock market has run into a series

of summer storms and can take comfort from the fact that the FT-SE 100 3,000 mark has been re-tested and held. This week should have opened against a more reliable domestic background than for some time: at least, the European and UK by-elections are out of the way. But the chancellor of the exchequer and the governor of the Bank of England have managed. between them, to scare the market by ruling out tax cuts now and threatening higher interest rates

The stock market perhaps should have been hurt by the combined Mansion House effect, but in fact was not. Mr Richard Jeffrey of Charterhous Tilney characterises Mr Eddie George's speech as "innocuous . . . a precautionary statement of the obvious". The market knows that

interest rates may rise this year and is more interested in assurances that the move can be postponed as long It is not possible to be equally sanguine about the blow delivered

to global bonds by the negative turn

in the Korean situation. Unfortunately.

nor is it possible to say whether the same situation could blow markets about this week. Several City analysts identify one significant feature of the Korean shake-out. "Despite political concerns, the US dollar has not gained ground," says NatWest Securities, adding that US bonds would be unable to continue

outperforming core European bonds

if the dollar continued to disappoint.

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Terry Byland

Given that healthy bond markets are the key to healthy equities, the Korean factor could benefit UK share prices. Nomura Research refuses to see the North Korean developments as any sound reason for a withdrawal from Far Eastern markets but warns that Japanese funds still see US bonds and

equities as the best buys. In spite of the problematical outlook on the international front, underlying faith in the current levels of the London equity market remains sound, even if some of the reasons may surprise.

Mr Albert Edwards of Kleinwort Benson does not accept the view that base rates will rise. "The UK economy is set to weaken sharply. Higher ba rates are not justified," he says bluntly Kleinwort has reined in its forecast for earnings growth in the non-financial corporate sector to only 10 per cent, compared with a market consensus forecast which started the year at 12.6 per cent and has now been raised to around 13.4 per cent

Most analysts see the UK stock market continuing to move within its existing range for the Footsie of 3,000 to 3,050 - an extremely narrow range by recent comparisons. Stock Exchange volume statistics confirm that institutions are willing traders

International / Tracy Corrigan

Heading for record year

has dogged most financial mar-kets for the first half of 1994 has failed to suppress activity in the international equities

While the lacklustre performance of most stock markets has forced companies to price new share offerings more cheaply to attract investors the broad trend towards distributing equity offerings internationally - or adding international tranches to domestic offerings - shows no sign of abating.

So far this year, \$45.7bn of new international equity offerings has been absorbed, according to IFR Securities Data, which puts the market on target for another record year, after last year's \$73.7bn.
The trend for international offerings was kick-started in the mid-1980s, when a number of governments keen to sell large amounts of equity

through privatisations found that they could get better pricing by targeting foreign investors. Keen to facilitate their own deals, regulations restricting such offerings were rapidly Deals such as the UK's Brit-

ish Gas and Spain's Telefonica in the late 1980s proved that paper placed overseas did not always drift back to the domes-

Re-examining their policies on asset allocation, fund managers began to increase the weighting of international equities in their portfolios. In particular, the massive US market became more outward-

"Historically, US investors had been running with 3 to 5 per cent of their assets in non-US stocks. That has now risen to 7 to 8 per cent, and we think it could easily double again in the next three years, said Mr Tom Davis, head of equity capital markets at Mer-

The market for global offerings was also boosted by the introduction of book-building techniques developed in the US domestic market, which helped improve transparency.

rill Lynch in New York.

However, the market has not heen relight on US issuers. In fact, many participants are sceptical about international tranches, usually comprising 10 to 15 per cent of the total transaction, tacked on to US offerings, often for league table, rather than distribution

This year, the normally active new issues market in the US has suffered from the relative weakness of stock prices, causing many public offerings to be cancelled.

However, "a lot of the slack in the US calendar has been picked up by the explosion of activity in Europe," according to Mr Davis of Merrill. The flow of prime European

names on the privatisation cal-endar has been little affected by more difficult market condicerned about deficit financing nrohlems are willing to erals down their pricing expectations, while companies may prefer to wait for more favourable conditions.

A more competitive environment for deals is also the result of the proliferation of privatisation programmes among European countries - as well as what one banker describes as "a ton of smaller corporate deals".

Nevertheless, the second half of the year is likely to be dominated by a spate of large priva-tisations for the likes of Ina, the Italian insurance company, Repsol in Spain and Lufthansa in Germany

Emerging market transactions, which suffered from the sell-off in those markets earlier this year, could also stage a come-back, although at more realistic pricing levels, while some analysts expect the stronger performance of the Japanese market to pave the way for a resurgence of Japanese

convertible offerings. There is a global market for stocks now," says Mr Ian Hannam, director of Robert Fleming, with London as the main centre for the origination and distribution of these international offerings.

An international equities column will run in this space every Monday. Our weekly derivatives column will now run on Thursdays.

OTHER MARKETS

FRANKFURT

The key event for German equity markets next week is the opening of subscriptions for the near DM3bn rights ssue from Daimler-Benz, the German automotive, engineering and aerospace group. It priced the issue 12 days ago at DM640 a share. a then 20 per cent discount to the existing share price of DM804.50, writes William Cochrane.

Since then, notes Mr Eckhard Frahm of Merck Finck in Düsseldorf, Daimler has dropped to DM725, in line with a thoroughgoing correction in German cyclical stocks, and the discount

* [11] * III [

ZURICH

Hints of imminent transformation at Elektrowatt and Motor-Columbus, Switzerland's two big quoted electric power generators, have been building in recent months, and more may emerge tomorrow when Elektrowatt reports its interim results. writes Ian Rodger.

The big questions are whether the two will merge and, if so, who will take over

aggregate of 51 per cent of the Daimler equity – will take up Oddly, both are controlled by one of Switzerland's big their rights, easing the banks, Elektrowatt by CS potential pressure on Holding, Motor by Union Bank institutional investors. Strategists will also be looking, of Switzerland, so Zurich enomic pride could play a big on Tuesday, at the latest M3 money supply figures.

UBS has made clear that it does not regard its Motor holding as strategic, and Motor's chief executive Ernst. Thomke publicly nudged the bank two weeks ago to put an end to the uncertainty. In March, Oskar Ronner, the new Elektrowatt chief executive. said the group's main future growth would come from its

As for the likely trend of the interim results to March 30, the electricity division probably enjoyed buoyant export sales, thanks to unusually beavy precipitation

in Switzerland last winter. The market will be awaiting publication this week of consumer price indices for Basie and Geneva.

industrial division.

MILAN

Worrles about the economy and the prospects for higher interest rates conspired to keep the pressure on Milan last week. The weight of forthcoming capital calls and privatisations, estimated at more than L10,000bn, also preyed on the market as the new account began last Thursday. This Saturday will see the price set for one of the privatisations, the 51 per cent of shares being offered next week in Ina, the insurance

The Treasury has already confirmed that the price will be in the range of L2.200 to 1.2,700 per share for the 2.04bn shares on offer.

PARIS

new interest.

The market has been on the downturn since early this month and the trend, baring a technical rally, looks set to continue throughout the month. After reaching an all-time high in early February the market has under-performed the rest of

Europe, partly due to the rise in US interest rates and the draining of liquidity for privatisation issues. Yet the economy is sound and recovery is well under way. Mr Michael Woodcock of Nikko Europe thinks investors may have some time to wait for recovery with interim results in the early autumn perhaps sparking

HELSINKI

The results season continues with figures today for the first four months of the year from Repola, Finland's largest industrial group, which rebounded into the black last year after much improved performances from its main forestry and engineering activities. Meanwhile, parliament votes today on the supplementary budget, which includes government plans to cut state ownership in Finnair to as little as 50.1 per cent from its current 72 per cent. Nokia holds an extraordinary shareholders meeting on Thursday to approve the issue of 6m preferred shares.

TOKYO

While share prices face a short-term correction following the rally in early June, increased trading by retail investors seems to hold the key to a further rise in the Nikkei index this week.

However, since participation by individual investors has been based solely on a recovery in sentiment, rather than an improvement in economic fundamentals, Mr Alex Kinmont of Morgan Stanley says the improvement remains vulnerable to negative news. Meanwhile another fall in bonds may prompt a further shift in funds to

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\$230,000,000 **ACQUISITION FACILITY**

The undersigned underwrote and funded the US bridge financing together with the working capital and letter of credit facilities to enable Compass Group PLC to acquire Canteen Corporation

NationsBank

has narrowed accordingly.

of a projected equity raising

total of DM24bn to DM25bn

in the German markets this

year, compared with DM15bn

to DM16bn in 1993. However,

says Mr Frahm, it is thought

that major shareholders like

government of Kuwait and

Stella, a holding company

owned by large German.

industrial and financial

companies – owning an

Deutsche Bank, the

The Daimler issue forms part

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The undersigned initiated this transaction, assisted in negotiations, and served as financial advisor to Compass Group PLC.

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June, 1994

June, 1994

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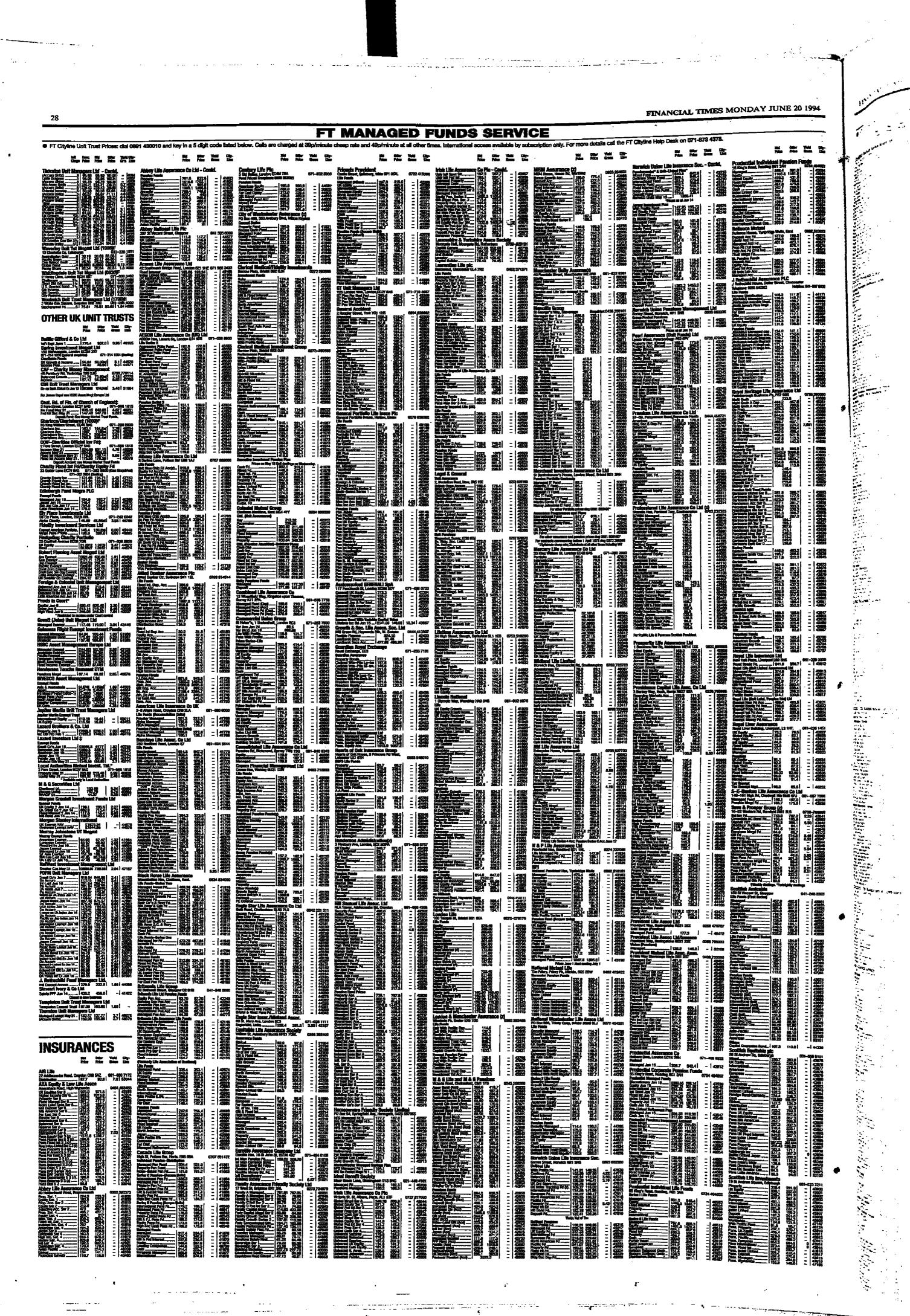
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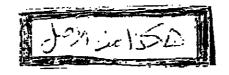
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MONEY RATES
June 17 Over night

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EURO CURRENCY INTEREST RATES

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R US TREASURY BELL FUTURES (MAA) \$1m per 100%

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LONDON RECENT ISSUES: EQUITIES

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One year

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One year

Est. vol Open int. 102,088 442,817 198,690 392,138 92,150 282,951

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+1,019,261,602 +1,089,251,602

Net Div. Grs P/E div. cov. yld net

W3.74 28 3.8 12.1 UNI.08 0.8 5.4 29.9

LN4.0 0.8 4.7 35.0 L5.8 23 4.8 11.1 uN3.75 0.7 69 323 W3.9 - 2.9 11.3

W3.1 28 27 13.9

W11.92 1.8 0.4 11.8 R3.38 2.0 4.3 12.9 W4.58 2.5 4.4 11.0 WN2.7 2.5 2.9 15.0

-197,509

-8,408

4,481 21,241 7,532

876 1,887 108

Three mths

4% 4% 4,80 4,80 3% 3%

High 94.97 94.26 94.03

95.39 95.73 94.55

Wednes

June 15, 199 £ 14,553,000 1,129,742,264 1,823,958,097 2,784,309,821

5.562.583,182

1,083,203,708 1,744,557,873 2,704,791,254 9,630,539 179,808

5,552,563,182

17,820,169,461 9,830,539

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11,015,100 16,838,040,623 982,944,277

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LOW 94.89 94.16 93.92

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USIA	(44)	1,5195	-0.0008	190 -	199 1	1.5217 1	.5162	1.5187	0.6	1.5174	0.6	1.5118	0.5	64.9	USA		(5)	-	
Pacitic/Niiddle	Esst/Af	rice:													Paci	fic/Middle	Engt/	árica	
Australia	(AS)	2.0888	-0.0106	875 -	701 2	2.0799 2	L0843	2.0881	0.4	2.0685	0.4	2.0858	0.2	_	Aust	raile	(AS)	1.3616	-0.0065
Hong Kong	(HKS)	11.7449	-0.0074	407 -	491 11	.7627 11	.7211 1	1.7368	0.8	11,733	0.4	11.7598	-0.1	_	Hone	Kong	(HiKS)	7.7297	-0.0018
ndle	(Pa)	47.8833	-0.0188	434 -		7.7320 47			-	-		-		_	india		(Plan)	31,3668	-
Japon	m	157.258	+0.181	171 -		57.810 15		50.888	2.8	166,091	3.0	152,231	3.2	185.1	Jece	n	m	103,495	+0.16
Malayaia	OASÍ	3.9419	-0.0085				.9386								Male	valit.	(MS)	2.5943	-0.0052
New Zeeland	(NZS)	2.5889	-0.0154				6808	2.5682	0.3	2.5668	-04	2.5763	-0.4	_		Zealand	(NZS)	1.6893	-0.0095
Philippines		41.1772	-0.0152				18811							_		coines	(Peso)	27.1000	
Sauci Arabia	(SR)	5.6989	-0.0022				6870	_	_		_	_		_		Arabia	(SPI)	3.7507	+0.0001
Singapore	S\$	2.3301	-0.0012				23283	-	_			_		_		EDOTE .	(53)	1.5336	-0.0002
S Africa (Corn.)) (Fi)	5.6464	+0.0217				.6263	_	_			_		_		tos (Com.		3.6503	+0.0158
S Africa (Fin.)	É	7.2326	-0.0105				2087	_	_		: -	_	_	_		ica (Fin.)	, iri	4,7600	-0.005
South Korea		1227.34		659 -		228.62 12			-		_	_		_		н Когев	(Work	807.750	+1.4
Talwan		41.1084	-0.0138			.1666 41			-			_	_	_	Tales		((3)	27.0535	+0.0017
Chellend		38.2294				1.1000 41 1.2667 38		-	-	-	•	-			The		(13) (B)	25.1800	+0.005
			-0.0078						. - .	- ⁻	•							gg. 1000 lefter spread	
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CROSS											7								
EXCHANC	DE CF	1035	RATES	3							•		-						
June 1	7	BP	DKr	FFF	DM		L	FI		NEG	Es	Pts	8Kr	SFr	£	C\$		Y	Ecu
Selgium	(BFr)	100	19.03	16.57	4.866	1.896	477	7 5.450		1.10	505.0	402.2	23.34	4,083	1.961	4.140	2.979	308.3	2.528
December December						1.050					265.3	211.3	12.26	2.145	1.030	2.175	1.585	162.0	1.327
races	(DKr)		10	8.708	2.551							242.8	14.08	2.484	1.184	2.499	1.798	188.1	1.524
гтапсы Зоповоу	(FFr)		11.49	10	2831	1.206					304.8	292.0 82.84	4.806	0.841	0.404	0.858	0.613	83.49	0.520
	(DM)		3.B20	3.412		0.412					104.0				0.981	2.072		154.3	1.264
relend	(127)	50.04	9,524	8.291	2,430		2391				252.7	201.5	11.66	2.043			1.491		
tely	67	2.093	0.398	0.347	0.102						10.67	8.420	0.489	0.086	0.041	0.087	0.082	8.453	0.053
totherlands	戶		3.492	3.040	0.891	0.367	876.				B2.66	73.80	4.282	0.749	0.380	0.760	0.547	56.57	0.483
torway	(NKr)	47.39	9,020	7.852	2,301	0.947					239.3	190.6	11.06	1.935	0.929	1.962	1.412	148.1	1.197
ortuge!	(Es)	19.60	3.769	3.281	0.962					.179	100.	79.66	4.821	0.809	0.388	0.820	0.590	61.05	0.500
3pain	(bpte)	24.66	4.732	4.119	1.207	0.497					125.5	100.	5.802	1.015	0.488	1.029	0,741	78.85	0.828
Sweden	(SKI)	42.85	8.155	7.100	2.081	0.856	2047				216.4	172.4	10	1,750	0.840	1.774	1.276	132.1	1.082
Switzerland	(SFr)	24.49	4.681	4.058	1.189	0.489	1170	1,330	5 5	.168	123.7	98.51	5.718	1	0.480	1.014	0,730	75.50	0.619
JK	, co	50.89	9.705	8,448	2,478	1.019	2436	2.77	9 1	0.78	257.5	205.1	11.90	2.062	1	2.111	1,519	157.2	1.288
Zeneda -	(CS)	24.15	4.597	4.002	1.173	0.483	1154	1.316	5 5	.097	122.0	97.16	5.637	0.988	0.474	1	0,720	74.47	0.610
18	(53)	33.57	6.389	6.582	1.630		1804				169.5	135.0	7.834	1.271	0.668	1,390	1	103.5	0.846
lapan	ĸ		61.74	53.75	15.75						1638	1305	75.70	13.24	6.361	13.43	9.663	1000.	8,193
icu Icu	117	39.59	7.535	6.560	1,922	0.791	1891				199.6	159.2	9.239	1.616	0.776	1.699	1,179	122.0	1
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50,9078 9,741 8,4407 2,4686 1,0204 2487,28 60,9078 2,7589 10,7544 208,708 12,0602 2,0671

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	28,415 103 7	68,434 1,295 860	-gray		#VII	Over- night	7 days	One month	Three month		One
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	16,268 145 4	45,975 802 3	Bank Local				412 - 413 414 - 416	433 - 41	41 - 4	§ 54 - 54	614 · 513
			UK d	earing bank	bese i	lending re			-		
_	Est.vol	Open Int.					Up to 1	1-3 month	3-6 month	9-8 உர்வளை உ	9-12 months
	20.299	53.291	Carts	of Tax dep.	. (£100	,000,	112	4	34	34	312
	452	2,122	Ave. o 1954, period	Acerneci rette A	decour	t 4.8735pc	L ÉCGD finac 1994 to Jul 2	rate Stg. E 5, 1994, Sci	import Firstni Importes il & il	upa. 28. Maise up da 1 6.47po, Pader Joues Base Pat	ence rate for
_			BAI	K OF	ENG	LAND	TREA	SURY	BILL 1	ENDER	
	6,061 40	33,547 271				Jun 17	Jun 10			Jun	17 Jan 10
	ĩ	15	Total a	offer of applications allocated occapted bid		2500m 21360m 2500m 238.780	2500m 21550m 2500m 298,785	Ave. ret Average	epted rate e of discour yield next tender	4.93	35% 4.8517%
_			Alloten	ent at mên. Ne	mai.	30%	11%	Min. ac	cept. bld 18	2 deys	

One year Bank of Rate %PA Eng. Index

02 -04 -0.7 -0.2 -0.2 -0.2 -0.2 -0.2 -1.3 -1.3 -0.2

114.0 115.8 115.8 80.8 109.1 124.5 104.4 78.7 115.6 119.5 88.0 84.8 74.9 119.8 80.0

	Sep 10.39 8.08 5.99	Jul - - 0.16	PUTS Aug - 0.02 0.19	Sep 0.06 0.22 0.55		UIDE to V	YORLD CURRE	NCIES	Pound in New York						
6.1	4.15 2.63 1.54	0.78 0.78 2.22 4.28 pen int., Cella 4	0.61 1.44 2.79	1.12 2.07 3.42	table	can be fo	to World Curr bund on the Em n today's edition	nerging	Jun 17 E spot 1 mth 3 mth 1 yr	Close 1.5345 1.5337 1.5342 1.5250	Prev. close 1.5290 1.5192 1.5180 1.5120				
			<u> </u>												
nd B	interest due	Last City xt line		Hotes Price E	rk % Aennt +/− £m	isteest due	Lest City xd Bos		Notes Price	Wiki% Ammit E+/Em	interest Lest City doe zi line				

UK/GILT	S PRI	CES						*				<u> </u>						Jun Sep Dec	95.84 95.39 94.79	95. 95. 94.
	Notes Pri		Accept Em	interest due	Last City xt line	High	TFK¶ as Prica € +/	Aerrit - Em	ininesi dua	Lest City		Notes	Price £	₩1% +/-		interest due	Lest City zd Bne	All Open to	erest fige. are	for par
Shorty" (Lives up 1 Trees. 10pc Ln. 199 Each 12 ³ -pc 1994_	# _ 1	190 19 ¹ 8 -1.1	1,240	Fe22 Au22	17.1 1283		108}} ~1. 112¼ ~1. 73½±1 ~1.	3 1,620	M6 Se8 Mr19 Se19 Ja14 Jy14	31.1 1281 10.2 1290 7.6 1274		(4) (2.73) (8.281)	1987 1074	4	800	M:16 Se16 Ap27 Oc27	7.2 1313 21.3 –	BANK	RETUR	N
Tress Spc 1994## 12pc 1985		71 <u>13 -</u> 1 104 -3		My17 Hv17 Ja25 Jy25		Commentes Obser 2004	104½ -1. 87¼ -2.		2 Apr25 Oc25 3 May 25 My 25		2 ¹ 2pc '01	(78.3) (78.8)	164\} 160\	-1.0 -1.2		Mr24 Se24 Mr20 Nr20	15.2 1316 13.4 1317	BANKING	DEPARTME	NT
8xx 3x 6as 90-8: 10 ⁴ cpc 1995 Tress 12 ⁴ cpc 1996; 14pc 1998 15 ⁴ cpc 1998; 9xx 13 ⁴ cpc 1998; Conversion 100c 19	194 111 1	en - :	. 214 1 2,500 2 840 3 770 5 1,150	high Miri Ja21 Jy21 My15 Nv15 Ja22 Jy22 My3 Mr3 My15 Nv15 My15 Nv15	25.3 1271 14.6 1254 8.4 1296 15.6 1305 26.3 1309 8.4 1266	Conv 8 1 ₂ pc 2005	1047 ₃ 1. 120 ¹ 21. 93 ₁ 21. 951. 115 ₂ 3 ₂ 211.	8 4,84; 6 2,200 7 3,900 8 2,000 3 3,150	2 Ag18 Oc18 1 My21 Hv21 1 Mr8 Se8		4 ³ -pc '04±‡ 2pc '06 2 ¹ -pc '09 2 ¹ -pc '11 2 ¹ -pc '13 2 ¹ -pc '16	(78.6) (78.6) (78.6) (74.6) (89.2)	108% 150% 155% 127% 127%	-1.7 -1.8 -1.8 -1.5 -2.1 -2.2	1,550 1,550 1,550 1,550 2,300 2,550	Ap21 0c21 Je19 Jy19 My20 Av20 Fe23 Au23 Fe15 Au16 Je28 Jy26	22.4 - 13.6 1314 13.4 1318 17.1 1319 10.1 7320 20.12 1321	Liabilities Capital Public dep Bankers de Reserve <i>e</i>		counts
Conv 7pc 1997;;; Treas 13 kpc 1997;; Each 10 2pc 1997;; Each 15pc 1997;; Sapc 1998;; Press 7 kpc 1998;; Treas 6 kpc 1998;	‡ 113 113 104	BÐ4	20,000 1,290 3,700 5,550 630 3,550 7,850	Au6 Fe6 Je22 Jy22 Fe21 Au21 Mr1 Se1 Ap27 Oc27 Je19 Jy19 Nr30 Se30 My1 Nr1	15.6 1302 17.1 1253 24.1 1347 21.3 1269 13.6 1273 21.2	13 ¹ 2pc *64-8	127点 -1. 102到 -1.	6 1,250	Mr26 Se28 Ap13 Oc13	17.2 1301 7.3 1343	2 ¹ gpc '29	issue) a Jaruer	07취회 mes si neihev y 1987	-2.6 how F to been 7. Con	2,000 1,300 Pl bas adjust version	e for inde ted to reflect factor 3.84	t rebasing	Advance a	nt securities nd other acc quipment an	
14pc '98-1 T/888 15120C '98‡‡	19	8 ¹ 2 - 0	970	My22 Nv22 Mr30 Se30	15.4 1306	Treas 6pc 2009	94% -1. 80% -2.		Me25 Se25	15.2 1336 18.4 -								IDONE DE		
Exch 12pc 1898	1	21.	3,909	My20 Nv20	13.4 1259	Conv Spc Le 2011 #	103 <u>11</u> 22 -1.	8 4 <i>27</i> 2	上12月12	16.8 1245				•				ISSUE DEF	WHIMDAI	
Trees 9 ¹ 20c 1999‡	104	ا. الخيا	1,900	Ja15 Jy15	8.6 1347	Treas Spc 2012## Treas 5½pc 2006-12##. Treas Spc 2013##	94岩 -1.º	7 1,000 7 4,950) Fe6 Au6) Wr10 Se10) Wr27 Se27	18.2 -	Other Fix							Liabilities Notes in d Notes in B	rculation unking Depa	atmen
Flavo to Filtenes Year Each 12 ¹ 4pc 1999 Treas 10 ¹ 4pc 1999 Treas Opc 1999 #	1	443 - 1 1713 - 1	1,252 5,900	Mr28 Se26 My19 Hv19 Fe10 <i>J</i> e10	12.4 1288 22.4 -	 -	_ 102% -1.	7 6,950) Ja26 Jy26) Fe25 Au25) Ja12 De12	19.1 1982	African Dev 11 ¹ g 20 Assists Dev 10 ¹ gpc 2012 Stream 11 ¹ gpc 2012 Ireland Cap 8 ¹ gpc 11 9pc Cap 1996	2009 2 10	11712 11012 1173a 98 107 10932 14134	-15	45 303 725 315	Ja4 Jy4 Mr24 Se24 My15 Ny15 Ag1 Oc1 Ja30 Jy30 Ag1 Oc1 My31 Ny30	1.12 - 3°93 - 4°93 1837 - 1465 28.8 1428	Assets Governmen Other Gove Other Secu	SURLIGHT SOCI	urities

-		•		Treas 5½pc 2008–12‡‡	7312			14 10 Se 10	1.2 1330	Other Fb	red Inter	est		
				Trees Spc 2013##	943	-1.7	4,950	Mr27 Se27	182 -	-4101 1 4				
				74ac 2012-154#	33%	-1.3	600	328 M26	20,12 1332	African Ser 114 2	010 117]2	-12	50 Je4 Jy4	1.12 -
				Treas 84:00 2017##	1022	-1.7	6.85O	Fe25 Au25	19.1 1982	Asian Dev 1014 pc	2009 11042	-15	100 Hr24 Se24	333 -
				Each 1200 113-117	130.5			Je12 De12	8.5 1260	87em 11 2pc 201	2 1173	-1.6	45 MW15 RV15	4'93 1837
Rive to Alteres Years		3,050 Mr28 Se26	17.2 1264				.,			fretand Cap 81-pc "		-10	303 Ac1 Oc1	- 1485
Exch 12 upc 1999			12.4 1288							90t Can 1996	107	-1	725 July 100	
Treat 101 ₂ pc 1999 107		1,252 My19 My19								13bc 97-2			315 Agi Oci	28.8 1428
Treas 8pc 1995 # 903		5,900 Fe10 As10	22.4 -							Hydra Quebec 15ox			40 Mr31 Nr30	27.10 -
Conversion 107-pc 1999 107:		1,798 My22 Nx22	15.4 1242							Leads 13 ¹ / ₂ cc 2008			40 Apl 0c1	3'93 3146
Trees Fitg Rate 99 100			35 -	Maristari						Liverpood 31-252 July			5 1JaAnjeOc	693 -
9pc 2000‡‡ 1D1			25.1 1244		45%	-3.7	359	Fe1 Ag1	29 12 1239	LCC 322 20 AR				1A -
Tress 13pt 2000 11913		3,171 Ja14 Jy14	7.6 1299	What are 67,	414			Je1 De1		Alamchester 11 2pt			28 TJeJeSeDe	
10pc 2001 105		4,406 Fe26 Acc26	20.1 1280	Coor 3120c 'B1 Aft	5712			Ap1 Oct	25.2 : 242	AND 11/20	c 2007_ 112%		6 Ap25 0c25	393 3275
7pc '01 ## 91;		3,250 My6 Hv6		Trees Soc '65 Af	33(1	-3.4			2 2 1224	Mar Wir Spc B	66½		25 Mrt Set	1.8 3361
7pc '01 A		2,500 My6 My6						ApS Ocs	1.3 1329	N wide Anglia 3% p	=2021. 131 u		60 TP30 TA30	1'93 3465
9%); 2002 104		6,527 Fe27 Au27		Coesnis 2lops,	291,	9		stalpty0c	1.6 1238	41epc 9, 2024	1254		50 -	20.7 -
8pc 2003‡‡	4 −1.7	7,600 Je10 De10	4.5 -	Tress. 212pc	واو2	1,1	475	Ap1 Oc1	21.2 1315	Utd New States 184 ₂	oc 2006 139	-1.4	50) Mari Sai	27.B -
			_	_	_									
@ 'Tap' stock, †† Tax-free to	non-res	idents on appicatio	n.E Auctic	an besis. 221 Ex dividend. 1	Josep	nid-p	100 ET	Appear in	pounds. We	eldy percentage d	वीक्षाकृतक स्टब्स	و betair	n a Friday to Fr	day basis.

STOCK INDIO	-62																
					L 40		1994 —		сотр.							- - .	
		Jun 16				<u> </u>		High	Low				MR 1/	JUN IL		15 .50	n 14 Ju
FT-SE 100	3022.9	3030,1	3045.8	3039.8	3055.9	3520,3	2931.9	3520.3	986.9	FT-SE &	roback 10						83.94 13
FT-SE MIL 250								4152.8			rotrack 20	0 1					13.81 14
FT-SE Mad 250 ex lis								4160.7		FT Carolina							39 7.2 2
FT-SE-A 350								1778.3			Securities		91,79			138	
FT-SE SmallCap								2094.86		FT Fixed			108.37	108,7	3 109	L12 1	08.62 1
FT-SE SmallCap ex lis								2060.72		FT Godd							52,59 19
FT-SE-A All-Share	1515.01	1518.30	1528.59	1526.23	1535.01	1784.11	1484.63	1754.11	61.92	Predeces	eor Gold Mir	166	230.9	231.	7 23	53 2	226.7
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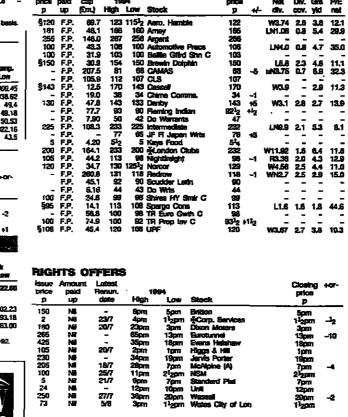
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	Jun 17	Ju n 16	Jen 1	5 Jun 14	Jun 13		1994 Losv	Since High	comp.
T-SE Eurotrack 100				11 1383.94					
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Notice is hereby given to the Unitholders that DAKHAN INVESTMENT TRUST declared a distribution of Won 270,000 per IDR of 1,000 Units (Won 27,000 per IDR of 100 units) payable on or after July 18, 1994 in the Republic of Korea as well as the possibility, until August 24, 1994 of reinventing in new IDRs of 100 Units all or part possibility, usus Angust 24, 1994 to semecoming of the distribution to which holders are entitled.

1. DIVIDEND PAYMENT

Payments of coupon no. 9 of the International Depository Receipts will be made on/or after July 18, 1994 in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York.

Brustells, 35 Astrone Dee Arts
New York, 30 West Broadway

Prankfurt, 44-46 Mainter Landstree Zurich, 38 Stockerstrasse

Limin, so sockerpusses.

The amount of delians shall be the net proceeds of the sale of the Wan amount to a Korean Exchange Bank in the Republic of Korea at the current selling rate on the day of remittance by the manager, and will be distributed to the Unitholders in proportion to their respective entitlements after deduction of all taxes and charges of the

to their respective engineering after deduction or all takes and charges or the Depositary.

Holders residing in a country having a double montion treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depository or through one of the designated sub-paying agent a certificate showing their residence together with a copy of passport for individuals. Those documents are requested by the Korean National Tex Administration Office as evidence of residence and without them the full rate of 26,875 pet Korean non-resident withholding tax will be retained.

full rate of 20,675 per a seem non-retained with the retained.

For residents of the United Kingdom, the trust insends to apply for distributing status for each financial year. UK beneficiaries will in most circumstances be liable to tax on the distribution whether reinvested or not.

If any holder shall fail to request the distribution by the each of October 1994, the turrequested amount of distribution will be sant to the Depository in cists after deduction of 26,875 pet tax soci taxer than the end of November 1994. For 5 years, the depository will keep the amount for delayed distribution requests. The unclaimed money shall return to the trest at the end of 5 years from the end of such accounting period.

2. PROCEDURE FOR REINVESTMENT OF THE DESTRIBUTION All reinvestment requests in a whole unhingle of 100 Units are to be sent not later than August 24, 1994 together with the above mentioned required documents, to one of the following addresses

if the IDRs are held in Euroclear to Euroclear Operations Center, Equities Department, Equilevard Emile Jacquains 151,1210 Brussels (phone number: 32 2204 14 60, telex 61025).

If the IDRs are held outside Eurocleur; to Morgan Guaranty Trust Company of New York, Securities Department, 35 Avenue Des Arts, 1040 Brussels (phone number: 322 508 86 43, telex 21752). The issue price for reinvestment will be the net asset value per unit of August 29, 1994.

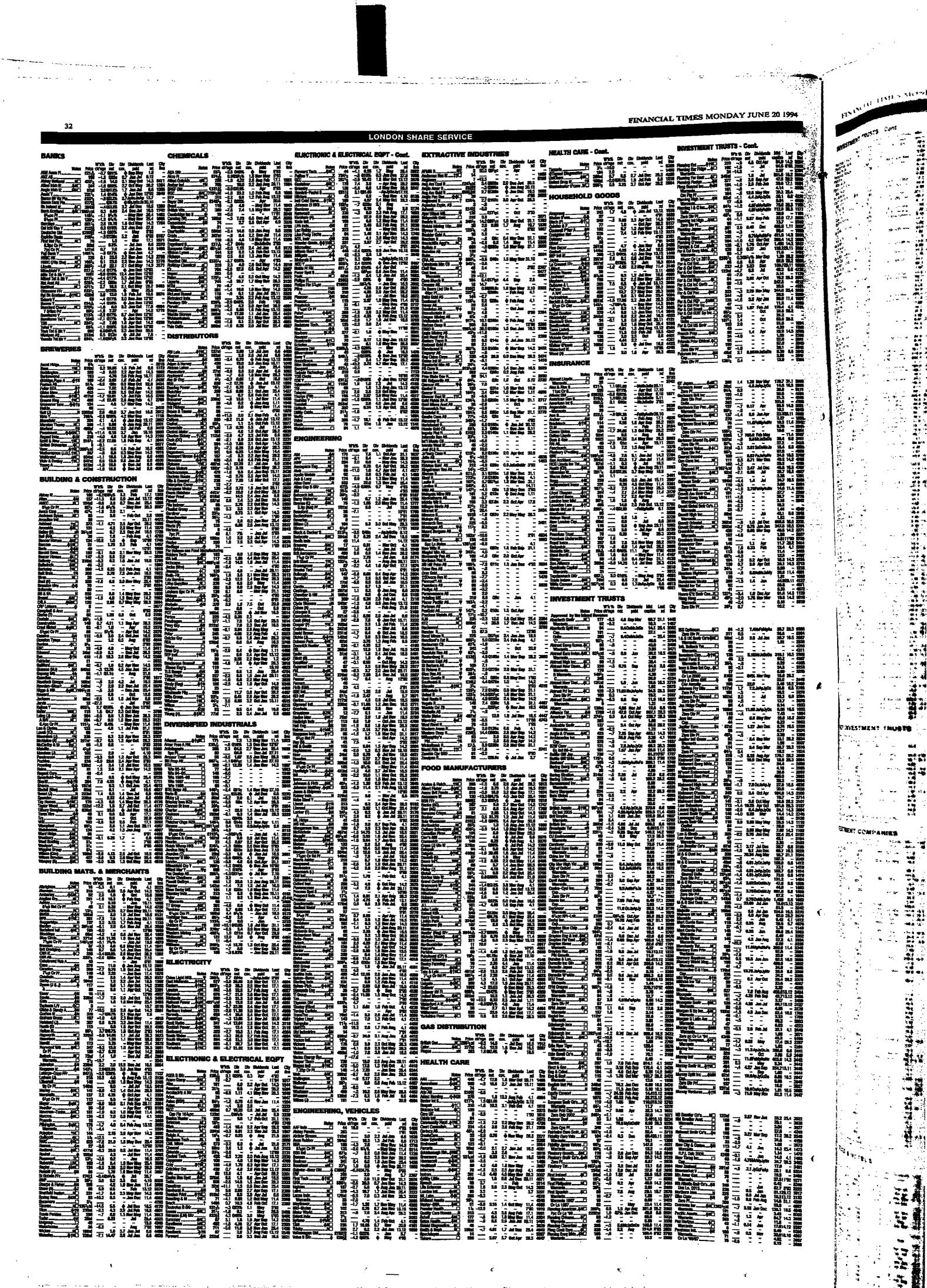
in cases where reinvested distributions are not unlitiples of 100 Units, the Unit holder can request a partial reinvestment and a partial cash distribution.

The reinvestment shall be unde on September 2, 1994 and the issue and delivery of IDRs to the persons entitled to reinvestment on September 30, 1994. MORGAN GUARANTY TRUST COMPANY OF NEW YORK BRUSSELS OFFICE

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《原外教》中的教育的主义,我是我们的人,这是这个人,我们是这种人,我们也是我们是我们的人,我们也是这种人,我们也是一个人,我们也是一个人,我们也是一个人,我们也是一个人,我们也是我们的人,我们也是我们

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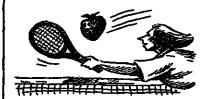
Union leaders meet Kohl

European trade union leaders will meet chancellor Helmut Kohl in Bonn to urge Germany to give top priority during its forthcoming presidency of the European Union (which begins on July 1) to strategies of job-creation. economic expansion, and social protec-

Unice, the European employers' organisation, today publishes Making Europe More Competitive. The report calls on EU members to acknowledge and take on board the details of its action plan: to reverse Europe's declining competitiveness, to create growth and generate new jobs. The report has the backing of the Confederation of British Industry.

Italy's foreign minister, Antonio Martino visits Bonn to meet his German counterpart Klaus Kinkel. Cesare Previti, Italy's defence minister is also visiting Germany and Paris to meet his respective counterparts. The visits are seen as a public relations exercise by Italy's right-wing coalition govern-

Tennis: The Wimbledon Lawn Tennis Championships begin (to July 3).



World Bank Report: Developing nations must reduce inefficiency and waste in their use of infrastructure, according to the World Bank. This year's World Development Report, published today, argues that the savings from more efficient use of infrastructure over a three-year period could generate sufficient resources to provide safe drinking water for 1bn

FT Conference: A two-day conference on European Telecommunications – Responding to Change is being held at the Inter-Continental hotel in London. The need for and impact of liberalisation of the marketplace are among issues being discussed

"Harry and Louise" return to US television screens for another round in the ferocious lobbying campaign conducted by the Health Insurance Association of America against the Clinton health care reform plan. Harduring the yuppie couple are credited with much of the weakening in public support for the plan.

FT Surveys: Electricity in Europe and Spain: Banking and Finance Holldays: Argentina, Bangladesh, Cyprus, Greece, Pakistan.

TUESDAY

Talks on Hong Kong

Britain and China are to hold a meeting of the Joint Liaison Group, the bilateral body which is overseeing Hong Kong's transfer to China in July 1997 (to June 23). It is the first such meeting to be held since December last year.

The talks come amid signals from Beijing that China wants to improve relations with Britain. What this means for hilateral talks over Hong Kong remains to be seen, but hopes are high that the colony's project to build a multi-billion dollar airport will benefit.

US vice-president Al Gore and Russian prime minister Victor Chernomyrdin begin three days of talks in Washington on mutual economic cooperation. The meeting could be topped by the signing of a \$9bn deal to develop oil reserves on Sakhalin Island. Mr Chernomyrdin is also expected to sign loan documents for four World Bank oans totalling nearly \$1bn.

Vaciav Havel, the Czech president, begins a two-day visit to Romania where he will sign a friendship treaty between the two countries. It is Mr Havel's first visit to Romania as president. Mr Havel, who will travel on to Bulgaria, has previously declined to visit Romania, mainly due to the country's human rights record.

ercom: Sotheby's in London offers its fifth sale of manuscripts from the library of David Solomon Sassoon (1880-1942) this afternoon. Among the 76 lots is a medieval Spanish Hebrew Bible in contemporary binding, estimated at £150,000-£200,000. The sale of western manuscripts and miniatures includes the most important classical text on vetinary medicine, written and illuminated for Ferrante I of Aragon, King of Naples 1458-94. This royal manuscript (detail below) also belonge to Lorenzo the Magnificent and is estimated at £80,000-£120,000.



Morihiro Hosokawa, Japan's former prime minister, is to testify in the Diet about his personal finances - the issue that forced him out of office in April. He will be questioned about a Y100m (\$9,523,000) loan he took from transport company Sagawa Kyubin in 1982.

Anti-semitism report: The Institute of Jewish Affairs in London releases its annual Anti-semitism World Report. **Holidays:** Algeria, Bombay, Pakistan.

WEDNESDAY

Close to peace partnership

US Secretary of State Warren Christopher is to meet in Brussels with Mr Andrei Kozyrev, Russian foreign minister, before a meeting of the North Atlantic Council at which Russia will formally sign up for Nato's military co-operation programme Partnership for Peace.

South African budget



It is budget day for South Africa's new of national unity: international investors will be watching closely as finance minister Derek Keys balances the demands

of the country's post-apartheid reconstruction and development plan, while keeping the budget deficit to the targeted six per cent of GDP.

Alan Greenspan, the Federal Reserve chairman, testifies before the House of Representatives budget committee. Financial markets will be looking for confirmation that the pace of economic growth is slowing, making interest rate increases less likely. The Fed's "beige book" assessment of regional business conditions will also provide data on economic conditions.

Germany's opposition Social Democrats hold an extraordinary congress in Halle. Party leader Rudolf Scharping may face criticism of his leadership, held responsible for a poor performance in last week's European Parliament and local government elections. However, he will likely be nominated as the party's candidate for chancellor, as it has no obvious alternative.

UK monetary policy: The minutes of May 4's meeting between Kenneth Clarke, UK chancellor, and Eddie George, Bank of England governor, will be studied for a shift in monetary policy from the previous "bias towards easing" to a neutral or more rigorous

Before Corfu: Christian Democrat leaders from member states meet in Brussels to try to agree on a candidate to succeed Jacques Delors as Commission president. Germany's Chancellor Helmut Kohl is expected to try to persuade Ruud Lubbers, the Dutch premier, to give way to Belgian prime minister Jean-Luc Dehaene. Meanwhile. Socialist leaders meet in Corfu to agree their position on the succesm, and on how to operate in the European Parliament, where they are the dominant group.

Romanian trade unions and government have set a deadline for today for agreement over the collective labour contract.

Holidays: Sri Lanka.

Previous

ECONOMIC DIARY

23

THURSDAY

Japan presents budget

The long overdue budget for the year starting April 1 is expected to clear the upper house of parliament the final hurdle, today. This brings to an end a political amnesty between the opposition and minority government, setting the scene for another round in Japan's perennial party political power struggle.

Germany's Bundesbank council, heads for Potsdam, near Berlin, for

For once, the question of whether M3 and prices statistics will be ready in time for the council meeting is not of pressing interest. Central bankers have made plain their short-term discount and Lombard rates are to stay for the time being. However, May M3 data due this week is expected to show higher growth than the Bundesbank's 4 to 6 per cent target range. The con-sensus forecast is for 14 per cent against 15.4 per cent in April.

Belarus, a nation of 10m on Russia's western border and the least-independent minded of former Soviet republics. is to hold its first presidential election. Front-runner for the new post is Vyacheslav Kebich, the neo-Communis prime minister.

> (left) has the advantage of of the statecontrolled media; he conace to be his negotiations for a monetary union with Russia, which

he claims will save Belarus' unreformed economy from disaster.

his competitors if only because of his media exposure, yet it is not clear whether he will overcome widespread discontent with his government.

The competition Golf Course in Paris (to June 26), when Europe's top players get a little relaxation after Oakmont.

"France" ... May household consumption"

Luxembourg.



its annual token meeting in the east.



the full support siders his other

Mr Kebich enjoys an advantage over

WTO bids: Switzerland and Germany push their respective bids to host the World Trade Organisation, due to succeed the General Agreement on Tariffs and Trade on January 1 1995. Germany applied last week for Bonn to become the site of the secretariat. Switzerland's offer for the trade watchdog to remain in Geneva is the only other candidacy.

Golf: The French Open



begins at the National

Holidays: Estonia, Latvia,



USA's first metch 1-1 draw with Switzerland may not have been enough to awaken American interest

24

FRIDAY

EU holds summit in Corfu

EU heads of government will try to choose a successor to European Com-mission president Jacques Delors at their two-day summit on the Greek island of Corfu. Two Christian Democrat prime ministers from the Low Countries, the Dutchman Ruud Lubbers and the Belgian Jean-Luc Dehaene are the front-runners. Neither appears willing to step aside for the other, increasing the chances of a deadlock, and possibly an extra summit to settle the issue.

The 12 will also sign a wide-ranging partnership agreement with Russia's president Boris Yeltsin, opening the way to an EU-Russia free-trade zone by the end of the century. A similar accord was reached last week with the Ukraine, and a priority at the summit will be to follow this with a nuclear safety plan, aimed at closing the Cher-

Turks in Bosnia: The first contingent of Turkish troops is due to set off to join UN peacekeepers.

FT Surveys: Indonesia and Norway. **Holidays:** Estonia, Finland, Latvia, Sweden, Thailand, Venezuela.

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WEEKEND

State poll in Saxony-Anhalt

The eastern German state of Saxony-Anhalt votes for a government on Sunday. The first result since the recent European Parliament poll, it should provide an indicator for the October federal elections.

The Christian Democrats, governing in coalition with the Free Democrats, as in the federal government in Bonn. are attempting to retain power. The party lost only 2 percentage points in the recent local government elections, despite a spate of corruption

Ukraine's presidential poli on Sunday sees incumbent Leonid Kravchuk fighting a close race against his former prime minister, an industrialist who favours closer ties with Russia. Communists and extreme nationalists are figuring prominently in simultaneous local elections.

Germany's president Richard von Weizsäcker visits Poland on Saturday on the last foreign trip of his presidency, before Roman Herzog takes over on July L

Compiled by Patrick Stiles and Angela Bieasdale. Fax: (+44) (0)71 873 3194.

Other economic news

Monday: Recent monthly figures for UK bank and building society (M4) lending have moved erratically, so it is no surprise that analysts' forecasts for seasonally adjusted M4 lending in May range from £600m to £4bn.

£1.9bn compares with actual lending of £500m in April.
Tuesday: US trade in goods and services is expected to notch up another significant deficit in April, with analysis' forecasts ranging from \$7bn to \$9.5bn. However, the consensus

forecast, at \$7.5bn, indicates no change from the March out-

The consensus forecast of

Friday: Final first-quarter UK GDP and current account balance of payments figures will be last economic in-formation published before release of the government's revised forecast for the economy on June 28.

First-quarter GDP is expected to grow year-on-year at 2.6 per cent, above the 2.5 per cent growth forecast for 1994 by the Treasury last November.

The consensus forecast for the current account points to a first-quarter deficit of £2.2bn, an improvement on the £2.6bn seasonally adjusted deficit of the 1993 fourth quarter.

Statistics to be released this week

Reference	Country	Statistic	Forecast	Activat
Mon	Japan	June 1-10 wh'sele price indx	- 1	0.1%
June 20	UK	May M4*	5.5%	0.196
	UK	May M4**	5.8%	5.796
	UK ·	May M4, lending	£1.9bm	. 20.5bn :
	UK	May bdg soty net new commits	£3bn .	£3.14bn
	Canada	Apr retail sales*†	0.5%	1,3%
Tues	US	Apr trade, goods & services	- 57 .5bn	-\$7.5bn
June 21	US .	Apr merchandise, trade - census	-\$10.5bn	-\$10.1bp
	US .	Ditto, export - census	\$41,8bn	: \$430E
	US	Ditto, Import - census	\$52.1ba	\$53.1bo
	US	Olito, trade balance of payments	·= .	\$12bn
	US	1st qtr current a/c	-	-\$31.5bn
	US	May treasury budget	-\$32.3bn	\$17.4bn '
•	US	Johnson Redhook, w/e June 18		3.9%
	Japan	Apr coincident indx .	80%	. 90%
_	Jépan	Apr leading diffusion incit		90.9%
	France	"May consumer prices inch, final"	•	0.8
-	France	. May consumer prices indx, finel**	٠	1.8%
	UK	May trade balance ex-EC	-£675m ⋅	-£566m
	Canada	Apr merchandise, exports*†	1%	8.1%
	Canada	Çitto, imports*†	1.2%	9.9%
	Canada	Ditto, trade suplus .	C\$800m ·	C\$659gp
<u>-</u> -	Canada	Apr wholesale trade*†	1.3%	2%
	Canada	Mar labour income*†	1.8%	0.9%
	Italy	June consumer price indx, cities**	4%	4.1%

Juse 22	Sweden	Aprindustrial production 1	-	0.1%
Thur.	US	May durable orders	0.5%	6.1%
June 23	US	May chraicte efficients		-0.8%
	US	intitial claims, w/e .kme 18	350,000	348,000
	us :	State benefits, w/e Jone 11	. .	2.75m
	US	M1, w/e June 13	\$1.9bn : :	\$1.8bn :
	US	M2, w/o Jerie 13	\$3bn	~\$5bc
	US.	MS; w/o June 13	\$30a	-\$4.4bm
	Japan · ·	· Apr personal c'aumér expenditure		-4.3%
	Japan	Ditio, workers only	•	6.9%
	jacan	Apr locome, workers	7	-1.4%
£41 ∵	UK∵∵∵	1st ctr GDP**	2.6%	2.6%
June 24	UK-	latedr GDP**	8.7%	D.7%
	ĕK	1st qtr balance of payments	-£2.25m	52.6Un
During t	this week			
	Japan	iet of GDP, seasond amount cate	25%	2.2%
	Gesnery	May MS from 4th ctr base	14%	15.4%
· · · · ·	Germany .	Apr trade balance	DM6bn	DM7:4bs
	Germany	Apr current a/c	-DM2tm	-DMC-95in
	(tally	May official receives	190.5n	1.67.Sir
	Italy .	Apr producer prices index*	3.1%	3.4%
· ':	.ftaty	May trade belence	10.7%	-12171
	Spain	May trace balance	Pta13.8bg.	Pta:4.9bn

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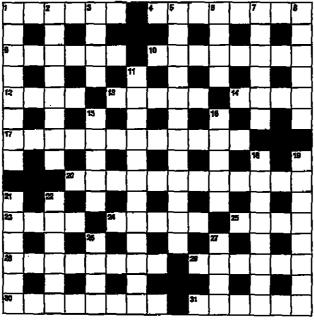
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15 Seat many in front of lock (5)
16 Spent about a pound for northern cloth (5)
18 Worshipper who seems to proled astray at start of year (12)
20 One so focused might not contemplate mixed doubles (8-6)
23 Learn about the present era (4)
24 Back prize party (5)
25 Political group in Serb local-

crastinate (8)

19 Developed a team leader in a cultivated manner (8)

21 Inform on youth leader — characteristic of Wimbledon ity (4)
28 Unable to produce good player on the French ship (8)
29 Group placed around small extension (6) extension (6) courts (6)
30 Ayr obtains money to provide 22 Overlook half of Bonn, a good volunteers (8) 31 Took part as herd is rounded

point of view (6) 26 Argument for parking on field 27 I object to quiet in network



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JOTTER PAD





ELECTRICITY IN EUROPE

Monday June 20 1994

iewed from the lofty heights of the European Commission, electricity must seem one of the slowest, most obdurate industries imag-

But the companies which make up the European power industry regard themselves as part of a fast moving world in which some will struggle to keep pace. Both sides have a

The Brussels view reflects the Commissioners' severe difficulties in deregulating the electricity and gas sectors. While they have successfully pushed through the liberalisation of telecommunications and aviation, energy has suc-cessfully resisted serious

Most power companies fear the consequences both for themselves and their customers, and some are backed by their governments. But change is on the way. A small but growing number of European countries, both in and outside the EU, are opening up their electricity markets.

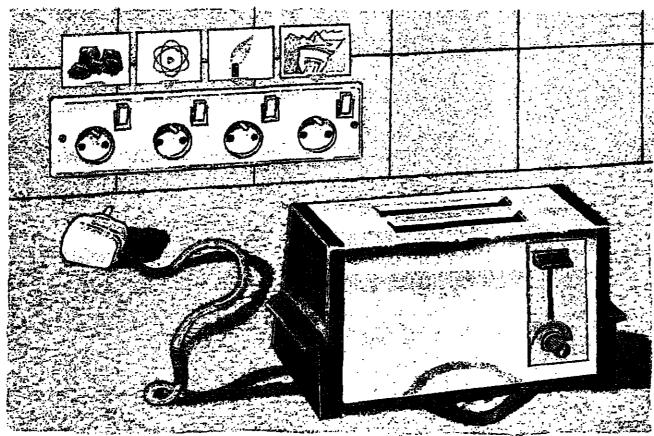
The deregulation process in many cases has been prompted by privatisation of public utilities. Countries that have already privatised or intend to privatise parts of their power networks include the UK, Italy. Portugal, Hungary and the Czech Republic.

However, even in countries which have not introduced privatisation, electricity companies face a series of tough chal-

inges.
These challenges will be under review at this week's triennial conference in Birmingham of the Union of Electricity Producers and Distributors (Unipede). The 1,000 delegates, mainly European, will also be only too aware of the contrasting growth prospects of eastern and western European countries and the attendant problems of environmental pollu-

The industry faces five main

• eastern Europe. The former Soviet-bloc countries, having broken with command economy principles, need western allies to invest in new plants as they embark on far-reaching modernisation programmes.



A choice of power - and the power of choice

The European Commissioners are frustrated over the slowness of electricity deregulation. Utilities say they are widening customers' choice but they also have other priorities, reports Michael Smith

The Czech Republic, for example, is likely to invite foreign • costs: public conc companies to take shares of 15 per cent in its regional distribution companies later this

internationalisation: this trend is growing as western companies find their own markets saturated and seek opportunities in other countries, east and west. Share swaps are possible and the trend should help the idea of a pan-European

costs: public concern about

pollution and nuclear safety, especially in central and eastern Europe, is raising costs at time when consumers demand greater price transparency and the lowest possible tariffs. Western countries and companies are helping through means such as the European Energy charter, agreed by 49 states and the European Union in 1991. The charter provides a

framework for western investment in central and eastern europe and for exchanges of technology.

• health scares: there have been widespread fears about a possible link between cancer and electric and magnetic fields (EMF) associated with high-voltage grid lines. Indus-try-sponsored research has found that there is no link between EMF and cancer but a growing number of cases are

coming to court. • deregulation: important

though all of these factors are for the future of the sector, the issue which will cause most controversy and potentially make the largest impact is deregulation within the European Union.

Until recently, virtually every European power company operated as a monopoly, and most were restricted from expanding outside their core

business. The UK Conservative government broke this mould when it split up the mammoth Central Electricity Generating Board as a prelude to privatisa-tion of the whole industry.

The cause of reform was taken up in earnest by the Commission in the early 1990s. It has no view on whether pri-vatisation is a good or bad thing but it argues that a single European market only makes sense if competition can be applied to electricity and

"It is clearly unfair for industries in energy-intensive sectors like chemicals or metals to be obliged to compete without having access to energy on similar conditions," Mr Claus-Dieter Ehlermann, directorgeneral in the competition directorate, told a recent con-

"It is the competitiveness of the whole European industry which is at stake."

The Commission is pushing for a system called negotiated third party access (TPA) which would cajole monopoly suppliers to open up their grid net-works to enable trade between large industrial power consumers and another power sup-

The system's many opponents, including most companies, most countries and most MEPs, argue that such a mar-ket would be unable to discharge public service obligations such as guarantees of supplies and uniform prices. Electricité de France, the French state utility, fears that long term planning would be made more difficult, endangering plans to build nuclear power plants. Electrabel, one of Belgium's

electricity companies, agrees that TPA would make planning difficult and that the Commission is going too quickly. It says an essential precondition for deregulation should be the harmonisation of environmental and fiscal conditions in the countries, claiming that otherwise some countries would have an unfair advantage over

The Commission and TPA opponents may reach a compromise later this year around a so-called single purchaser system, through which one body independent of the host generator would be responsible for selling electricity.

TPA opponents say this would maintain the integrity of the system. TPA supporters however, say that it would have little impact since it would not enable consumers to deal directly with companies other than the host supplier.

The original draft directive has already been considerbly diluted after intervention from the European Parliament. The Commission had originally proposed that companies should have an automatic right to a network, rather than a negoti-

ated right.
Some feel it would be better to wait for reform to gather pace. At the last meeting of EU energy ministers in May, the Italians, Spanish and Irish rep resentatives hinted they were considering ways to liberalise their markets, although they did not say how.

nother change is the growing number of countries setting up independent grid networks. An essential pre-requisite of a competitive system is to run the grid system separately from the power producers, either through separate accounting or through splitting

up the electricity companies. Whereas five years ago there were no separate grid compames there are now five.

The pressure for change will be boosted by the expected integration of the union of the Nordic countries with the continental network. Norway, Sweden and Finland either have liberal regimes for electricity or plan to introduce

Further ahead, some central

European states might prove to be allies for the liberalisers. Poland, for example, has already separated the three arms of its electricity system. in the near future, however, much will depend on the German government which

assumes presidency of the European Union next month. in recent months, parts of the Bonn administration have been pushing for third party access in Germany as a means of

IN THIS SURVEY

POWER PLANT: Andrew Baxter describes the uproar following the EU's Directive requiring utilities to use open competitive tendering for their purchases of electricity generating and distribution

CONTINENTAL NETWORKS national grid networks are steadily being woven into a tapestry stretching from Madrid to Cairo and from Moscow to Morocco, writes

GERMANY DEREGULATES: market structures erected nearly 60 years ago to protect the coal industry are being laboriously dismantled under EC pressure, writes

PORTUGAL'S PACE: Peter Wise reports from a country trying to meet electricity consumption which is growing twice as fast as in the rest of the European Union.. Page IV

ENVIRONMENT: Bronwen Maddox says pollution reduction by power genera-tors is still a political must, but that economic industrial

POLISH CLEAN-UP: why the citizens of Cracow know when their power plant is working even when they can't see it Page V

UK MONEYSPINNERS: regulator Prof Stephen Littlechild has his work cut out. writes Michael Smith

COAL'S AGONY: how Old King Coal was brought low by a combination of gas and nuclear powerPage VI

☐ Illustration: David Bromley

bringing down power prices. That, however, would cause significant political problems with France which has much cheaper electricity prices for industrial consumers. One German electricity executive says: "We are fighting with all our might against liberalisation of the European power industry. But at the same time we have no choice but to prepare for



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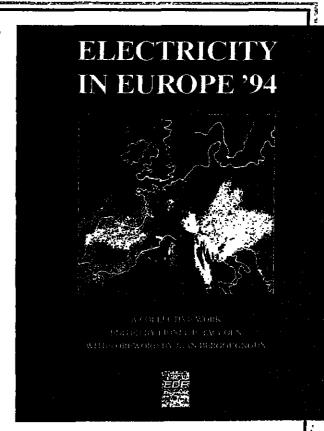
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ne of the biggest controversies in the electrical industry over recent years has been generated by the European Union's Utilities Directive, which came into force at the beginning of last year and profess willians to the second of the control of last year and requires utilities to use open,

competitive, purchasing procedures for their equipment and services.

The directive sparked a big row between the EU and the US, because of its Article 29 which said a purchaser may reject any bid that contains less than 50 per cent of the total value sourced from within the EU, and that, where there is no more than a 3 per cent difference between the price of an EU and a non-EU bid, the non-EU bid

Amid allegations that the EU was trying to build a "Fortress Europe," the controversy was finally defused in April last year when it was agreed that, for the electrical sector at least, Article 29 would not be

Nationalism in procurement may really be a pragmatic way of ensuring that suppliers are close at hand for back up

applied for works and services contracts. In return, EU companies would be exempt from the Buy American Act when tendering for works and supply contracts from US public utilities.

But the controversy does not end there. The broader question is whether the directive will even achieve its aim of ensuring that consumers will benefit from lower costs, through the application of competitive contracting under which the lowest

cost supplier wins.

The Commission has long believed that the tendency of public agencies in the EU to buy equipment and services from domestic suppliers meant that costs were higher than if contracts had been allocated on the basis of full and fair international

ithin a decade, Spain could be exchanging electricity with Egypt

to the south and Russia to the

east, both members of a vast intercontinental power grid.

The increasing desire of utilitles to trade with each other.

coupled with recent political

and economic changes, is promoting the rapid growth of

With the exception of

being stands alone, most coun-

tries in western Europe belong

to one of three interconnected grid systems: the UCPTE sys-

tem, one of the largest in the

world, covering 12 states in

continental Europe; the much

smaller system of Nordel, cov-

ering Norway, Sweden, Fin-

land and the eastern half of Denmark; and the British sys-

tem, linking England, Wales

and Scotland. To the east, the

power grids of eastern and

central Europe and the former Soviet Union are linked together by the IPS/UPS sys-

All four evolved as utilities

increasingly saw the advan-

tages of cooperating together

to improve the efficiency of

grid systems, the transmission

networks of member countries

together to keep the overall

system at the same steady fre-

quency. This not only helps to

promote regular electricity

trade between grid members

but provides a valuable

back-up for utilities when

power is lost unexpectedly.

Within such interconnected

their individual networks.

Andrew Baxter examines the international battle to equip Europe's power stations

Sparks fly in a high voltage business

competition. Hence the Utilities Directive, which covers equipment supply and works contracts for electricity – although not the supply of energy or fuels for energy – and requires any contract over Ecu400,000 for equipment and Ecu5m for works to com-ply with a series of conditions that allow for the maximum degree of competition.

Broadly, there are three types of procedure permitted: open, restricted and negotiated. The directive also covers water, gas, heat and transportation services in the EU and is aimed at both public and private companies which meet the criterion of public supply.

However, a report earlier this year by researchers at Sussex University's Science Policy Research Unit suggests that, at least for electrical transmission and distribution equipment, the directive could be counter-productive and may even lead to higher equipment prices.

According to the authors, Mr Steve

Thomas and Mr Francis McGowan, the directive appears to be designed to overcome two particular pressures, for utilities to favour national suppliers - whether in esponse to their government's industrial policy or their own national chauvinism and for utilities to enter long-term arrangements with suppliers to minimise their administrative burden even when such arrangements are not in the interests

But, they say, "while there probably still remain vestiges of the practices, which when viewed through today's perceptions of the need for free trade and competitive bidding appear unacceptable, the line between non-competitive procedures and



sensible long-term strategies is often a fine

For example, what might be seen as national chauvinism in procurement might actually be a sensible policy of ensuring that the equipment supplier is close at hand to provide back-up in the event of technical problems. And what might be seen as wasteful procurement by not placing orders exclusively with the most economically attractive supplier could be a far-sighted policy which

ensures a competitive industry is main-

tained for the long-term. So measures that ensure that unacceptable practices cannot be continued run a risk of proscribing policies which are in the long-term interest of utility customers. Most of the leading equipment suppliers, after all, are multinational in character and are therefore much less likely to receive support from national govern-

Also, the electric utility sector is in the

emphasis on allowing the forces of compe-tition to be brought to bear on it, so that it functions efficiently. In addition, there has been considerable progress in adopting common standards in Europe which will allow suppliers more easily to compete in

The authors point out that by making it more difficult for utilities to enter into long-term agreements with suppliers to develop and purchase new designs of equipment, it may be harder for them to stimulate the market to produce the equip-ment with the necessary performance characteristics.

It also runs counter to the modern trend in supplier-customer relationships in industry, where old-style adversarial relationships are giving way to partnering and long-term co-operative agreements.

In the equipment supply industry, meanwhile, the process of rationalisation over the past two decades has been promoted strongly by the European Commission, but does bring dangers with it, according to the authors.

The presence of three large European companies in the electrical equipment sec-tor - Asea Brown Boveri, GEC Alsthom and Siemens - ought to ensure a competi tive market, they say. But if the market size is such that all three can be comfortably supported, the pressure on suppliers to beat their competitors might not be

In addition, they say, it is not hard to imagine circumstances in which the field could shrink to two with the second tier of suppliers offering little extra competition.

"While the old nationally-based structure tended to produce overcapacity, the removal of national protection, together with the high barriers to entry and the cyclical nature of demand mean that the new multinational structure will tend to produce too small a supply network. Thus, any assumption that the market will behave competitively without strong prompting must be questioned," they say. In transmission and distribution equipment, they contend, there are few suppli-ers outside Europe which could be used to maintain competitive pressure. GE and Westinghouse are big players in power generating equipment - turbines and generators - but no longer supply the biggest items of transmission and distribution equipment. The Japanese companies - Mit-subishi, Toshiba and Hitachi - appear not to have made any "concerted effort so far to penetrate European markets."

The rundown in the number of suppliers, encouraged by the Commission, has reduced competitive pressures on them

Overall, say the authors, the Commis-sion's initiative on procurement may not have paid sufficient attention to the actual structure of the market and the nature of the relationship between the supplier and purchaser of equipment.

"Given the dangerously concentrated nature of the equipment supply industry, a much greater threat to the economic welfare of consumers may be posed by the non-competitive forces in the equipment supply industry than is posed by the poli-cies of the electricity supply industry."

The European Market for Transmission and Distribution Equipment. Publications Office, Science Policy Research Unit, University of Sussex, Brighton, BN1 9RF, UK.

Lucy Plaskett describes the remorseless expansion of the international grid for electricity trading

The whole of Europe and a slice of Africa

ing capacity that each individ-ual country has to keep in reserve, allowing utilities to reduce their investment costs.

The four separate systems are also linked together -Ireland, which for the time Britain with UCPTE via a cable link with France, Nordel with UCPTE via Denmark and with Russia via Finland, and three interconnections along the Austrian and German borders providing a link with eastern Europe.

> Long distance power trading reduces investment needs and reinforces security of supply

But such links are so-called direct current (DC) lines: while the alternating current (AC) of the synchronised grids allows multi-directional power flows to provide a constant back-up, DC lines are the "railways" of the system, allowing power to flow in one direction at a time. and only affecting the power grids of the two countries conswitched off if disturbances

The main growth in DC lines has been to the north of Europe. Over the past few years, a number of new DC lines have been proposed between the Nordel and

For example, if the Spanish UCPTE grids. grid suffered an unexpected The most advanced is the 600MW Baltic Cable being quency levels, electricity would automatically flow from built between Sweden and Germany by Swedish utility Vatother parts of the UCPTE grid tenfall and Germany's PreussenElektra, due to be to make up the gap. This reduces the amount of generatcompleted by the end of this



two grids via the 600MW Kontek line, due in operation at the end of 1995.

Meanwhile, PreussenElektra has also teamed up with Norwegian utility Statkraft to plan the 600MW Viking Cable between Norway and Germany for later in the 1990s. And Norwegian utilities are also dering a DC link to the Netherlands, as well as possi-

ble links to the UK. These lines are being built by utilities eager to exploit the difference in price and avail-

year. East German utility ability between Sweden and plant. Nordel has always senElektra and the Polish grid VEAG and eastern Denmark's Norway's large amounts of exchanged power in this way company are just finishing a Elkraft are also linking their hydropower, and the mainly with thermal-fired plant in study on the feasibility of a hydropower, and the mainly thermal-based electricity of UCPTE. Different peak demand times also offer trad-

ing opportunities. Nordic utilities plan to export hydro electricity to the UCPTE grid during the day when prices are high, and then switch off their hydro plants at night and import thermal power when prices are low. The links will also allow them to import in the event of dry summers. Continental utilities benefit from peak power without having to invest in new

Denmark. But such trade has been boosted in recent years by the increasing commercia essures of the EC internal market, the difficulties of slting new plant, and weak stic power demand which has forced utilities to look

Utilities are also looking east for trading opportunities. Vattenfall is considering a DC submarine link to Poland, while Finnish utility IVO is doing feasibility studies on a 500MW link to Estonia. Preus-

2x2,000MW DC overland line linking Frankfurt to Smolensk in Russia, via Poland and Byelorussia. Together, these three projects could form a "Baltic ring", offering utilities similar ces to exploit different fuel sources and demand

Political change over the past few years has also raised ibility of further electricity trade with eastern Europe. But this is more com-plicated since, as part of their economic integration into

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western Europe, the countries of central and eastern Europe want to break away from the IPS/UPS system and become part of the UCPTE synchron-ised network.

But before this can happen their grids need to be techni-cally upgraded to meet UCPTE

This work is well underway. West German utilities hope to link the east German grid system to UCPTE by 1995. While

The collapse of communism has enhanced the prospects for deals with eastern Europe

Poland, Hungary and the Czech and Slovak Republics have formed a union, CEN-TREL, to look into the technical aspects of joining the

According to a report by UNIPEDE, the International Union of Producers and Distributors of Electrical Energy, the four have said that the necessary upgrading will be could be completed as early as

Next on the list of future UCPTE members are Bulgaria, mania and Turkey. But this complicated by the conflict in the former Yugoslavia, which has severed the UCPTE link to Greece. Attaching this part of southern Europe will either have to wait for the end of the conflict or will involve upgrading of lines between Hungary and Romania.

For the longer term experts

are also doing feasibility studies on linking the CIS and Russian grids to the UCPTE. creating one vast synchronous network over the entire European continent. Technically UNIPEDE believes this is possible, concluding "the size of a system will be governed by geographical, economic, political or even organisational factors, rather than by technical considerations".

But some experts worry that the trading advantages such a huge grid would offer, in terms of different fuels and peak load times, would be more than offset by high transmission costs and a loss of system stability. "It's a philosophical discussion about where are the limits, who's winning and who's losing," ommented UCPTR secretary Marcel Bial.

Expansion plans to the south are siso well advanced. Spanish grid company Red Electrica Española plans to have an AC line to North Africa by 1996, linking UCPTE countries with the Maghreb grid of Morocco, Algeria and

This is the first step in a wider project to connect the UCPTE grid synchronously with the whole of the Mediterranean basin. And on present plans, this is not far off. turk of the Turkish Electricity Authority, work has already started on a AC line linking Turkey, Syria, Jordan, Iraq and Egypt, with completion planned by the end of 1996. If Turkey is succe up with the UCPTE grid by the late 1990s, the only weak link in this circuit will be Libya. Feasibility studies are already underway to linkthe Libyan grid to Egypt and Tuni Lucy Plaskett is the editor of

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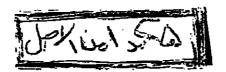
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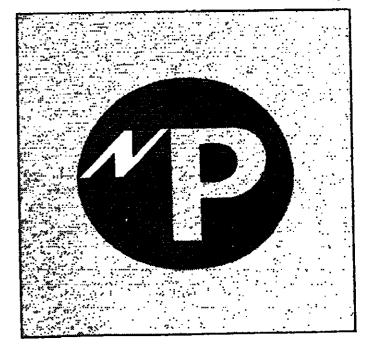
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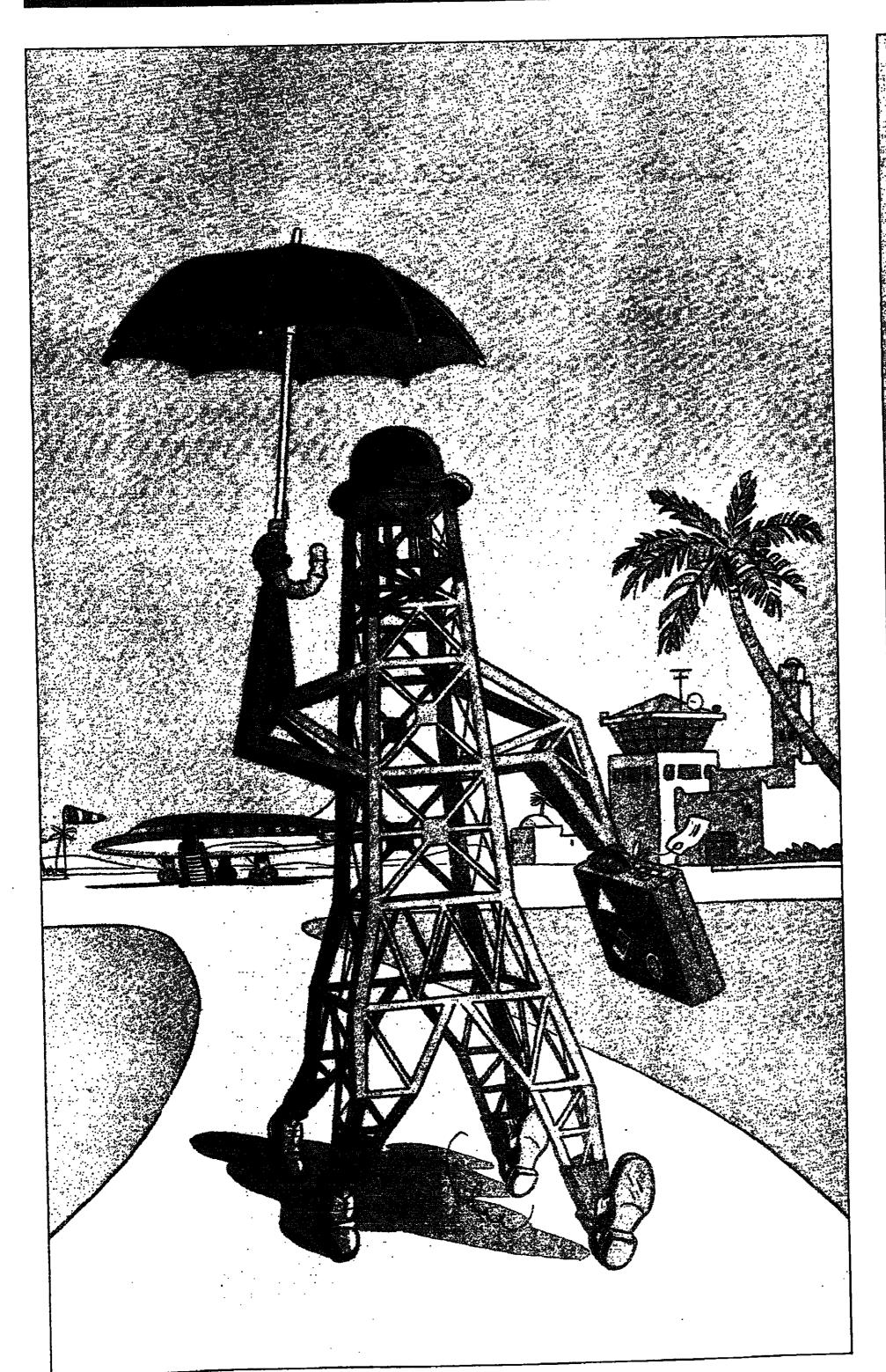


To expand our business we aimed for a bigger market.

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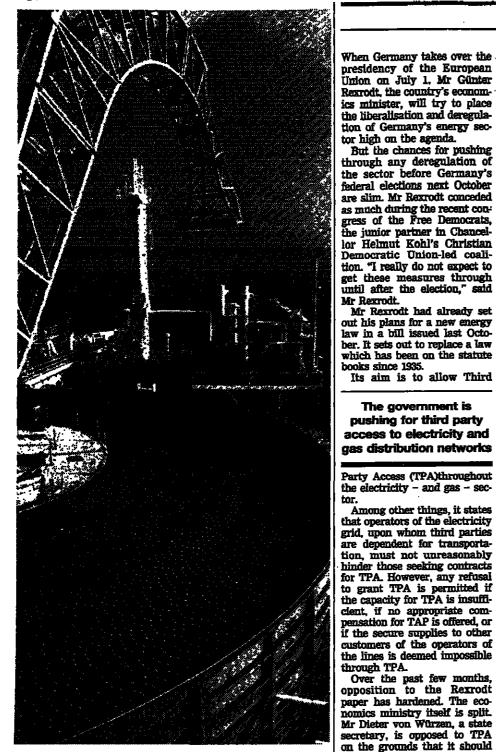


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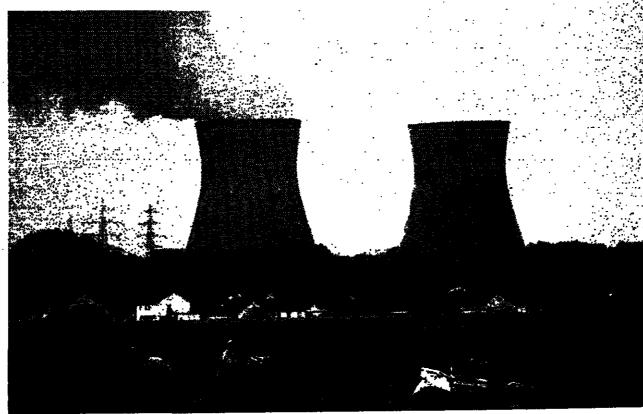


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ELECTRICITY IN EUROPE IV

Deregulation knocks at Germany's door, writes Judy Dempsey

Forward from 1935



ment to deregulate the energy

But the chances for pushing

Mr Rexrodt had already set

Its aim is to allow Third

The government is

pushing for third party

Among other things, it states

be based on reciprocity by

other European Union coun-

tries, while Mr Johnann

Eekhoff, a state secretary and

Mr Martin Cronenberg, an energy expert at the ministry,

are anxious to push through

risen at more than twice the

average European Union rate

over the past decade as a

result of strong economic

growth. Demand is forecast to

increase significantly faster

than in most western Euro-pean countries – at an annual

rate of 2.5 to 3 per cent to the

end of the century and by 1.5

The electricity sector is

being radically restructured in an effort to satisfy this grow-

ing demand in the most

cost-effective way possible for a country with few energy

resources of its own. The over-

riding aims of reform are to

reduce Portugal's heavy

altering the energy mix and to

improve efficiency through lib-

introducing flexibility, ratio-

nality and competition into

the power section to provide ers with lower prices

and better services," says Mr Joaquim Silva Correia, chair-

man of Electricidade de Portu-

gal (EDP), the state-owned

power producer and distribu-

tor. Electricity prices for

industrial consumers in Portu-

gal have been reduced by 31

per cent in real terms since

1987 but remain the third

Portugal's energy imports,

of which oil accounts for more

than 90 per cent, cost

Es330.9bn in 1993, represent-

ing 8.9 per cent of total

imports and 2.8 per cent of

gross domestic product. This

marks an improvement from a

decade ago when energy

imports were the equivalent of

10.5 per cent of GDP. But Por-

tugal's reliance on imported

oil is still so strong that a fluc-

tuation of one dollar in the

price of a barrel has far-reach-

Oil accounts for more than

70 per cent of primary energy

consumption and domestic

resources, mainly hydroelec-

tric power and biomass, only

12 per cent. Diversification

away from oil is being focused

on natural gas and coal. Portu-

gal, the only EU country with-

out a natural gas supply, is due to lift 2,500m cubic metres

a year from 1996 from the

planned Maghreb-Europe pipe-

Officials forecast natural gas

ing effects on the economy.

highest in the EU.

eralisation and privatisation. Restructuring is aimed at

dence on imported oil by

to 2 per cent a year from 2000

mental improvements

The umbrella body for big tributors. industrial energy users (Verband der Industriellen Energie und Kraftwirtschaft, or VIK) has welcomed the proposals. This is understandable. The organisation's current president is the chemicals sector, including BASF, one of Germany's largest chemical groups, which has long cam-paigned for cheaper electricity and gas prices. "The electricity and gas prices for industry in Germany are between 30 and 40 per cent, and in some extreme cases, 100 per cent higher than in other European countries." a VIK paper recently noted, adding that the industry requires greater com-

The response from the envi-Indeed, unlike some other European Union countries, ronment ministry has been lukewarm. Officials argue that Germany has no single formal regulatory body overseeing electricity pricing. Distribution the draft law does not go far enough in introducing environcompanies - that is, the But it is the reaction from regional utilities - must agree industry which holds the key their tariffs with local municito the success or failure of any palities, which in many cases, plans by the federal governown part of the distributors.

Portugal races to catch up, reports Peter Wise

Speed and diversity

towards the EU average of 14

per cent if it remains more

competitive than coal. Coal is

forecast to grow to 20 per cent

of primary energy use from a

Portugal plans to expand its

existing power generating capacity of 7,200MW to

8,800MW by 2000. A natural

gas-fired plant will account for

900MW of new capacity, a

coal-fired plant for 300MW.

hydroelectric plants for

Liberalisation of the electric-

ity sector began tentatively in

1988 with legislation permit-

ting small-scale private pro-

With oil accounting for

more than 70 per cent of

primary energy

consumption, there is a

move to coal and gas

duction in the form of mint-hy-

dro plants. Until then power

production had been an KDP

The scheme proved a run-

away success and EDP was flooded with applications to

build. Officials now estimate

the potential of mini-hydro

production could exceed

Portugal took its first step

towards large scale private production in 1991 when a

consortium led by Siemens of

Germany won a contract to

build and operate a 900MW

natural gas-fired power plant

near Oporto in northern Portu-

gal. The plant is due to come

In December 1993, EDP sold

two 300MW coal-fired units at

Pego, 180kms northeast of Lis-

bon, to a group led by

National Power of the UK. The

first unit began production in

March 1993, the second is due to start in October 1995. Two

further 300MW units may

The sector will make a fur-

ther leap towards liberalisa-

tion in July when EDP is to be

unbundled into 10 separate

companies. This will be fol-

lowed by the partial privatisa-

tion of power production and

distribution. New companies

will be created to manage

power production and the high-tension transmission net-

eventually be added.

on line in 1997.

50MW by the year 2000.

onopoly.

MW and wind-powered gen-

climbing

subsequently

current 16 per cent.

eration for 50MW.

Tariffs are normally based on the operational costs of the dis-

Despite the high cost of energy, analysts at the German association of German gas and water users (BGW) continue to oppose many aspects of the Rexrodt proposals. A recent paper issued by BGW argued that the introduction of TPA and the abolition of the principle of exclusive service areas will create "inequality of opportunity

It added that foreign gas companies would be able to supply the German market while foreign markets would remain inaccessible to German TPA would lead to the expropriation of private investment and, more importantly, the obligation to connect customers and guarantee supply could no longer be met.

The BGW's views have been reinforced by the association of municipal undertakings (Verband kommunaler Unternehmen, or VKU). Under present legislation, the municipalities have the exclusive right to

operations and strategy.

quently be sold but the state

will retain a majority holding. The regional distribution com-

panies will also privatise a

minority of their capital over

Rnt liberalisation will not go

as far as the UK model. An

to be set up to determine policy on the building of new

power plants. "Portugal is too

small and too dependent on

hydroelectric production,

which varies according to

rainfall, to allow the market to

decide what plants are built,"

says Mr Silva Correia. One of

the new body's first decisions

will be whether the first large

power plant to be built in the 21st century should be fired by

coal or natural gas.

A second independent body

will be created to oversee

prices and competition. One of

its main tasks will be to

ensure that Rede Eléctrica

Nacional (REN), the new com-

pany that is to manage the

national grid, buys from pro-

ducers strictly on a basis of

lowest price first. Initially, all

power producers will have

binding power purchase agree-

ments with REN. But over the

medium term other producers

will be allowed to produce

directly for independent cus-

tomers, paying for use of the national grid if required. Regional distributors will be

permitted to purchase up to 15

per cent of their supply from

ual transition from a vertical-

ly-integrated sector to a more

liberalised framework and to

transfer the efficiency gains to

consumers in the form of

lower tariffs," says Mr Silva

Correla. "But the special char-

acteristics of Portugal mean

that we cannot go as far as

countries such as Britain on

"Our aim is to make a grad-

such producers.

the medium term.

TPA were introduced, revenues earned from these concessionary payments would be reduced. As it stands, the municipalities receive about

DM5bn each year in concession payments which help to imance public services. Yet the Rexrodt plan would give the municipalities the right to choose which utilities supply its customers, or even take over the supply themselves by buying the distribu-tion grid. However, Germany's large utility companies, which are grouped under the VDEW,

the trade association which

represents them, would per-

haps lose out. Currently, they enjoy the principle of demarca-tion, which effectively amounts to a monopolistic

The trade unions, particu-larly IG Berghau und Energie. which represents the mining and energy workers, also oppose the Rexrodt paper because social services on the municipal level would be cutand TPA and greater competition could undermine Germany's heavily subsidised hard

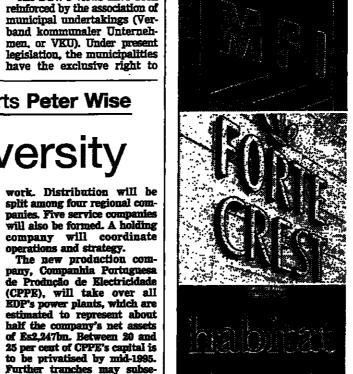
German coal prices are considerably higher than world about DM80 a tonne, but elecpay DM280 per tonne for German coal in order to protect the industry. The electricity utilities are allowed to collect a levy from the consumer, called the Kohlpfennig, which helps to compensate them for using the high cost of coal.

Energy and coal mining unions fear that competition will damage social services

Despite this opposition, there is a growing consensus that eventually Germany must open up the energy sector. For one thing, the Kohlpfennig is supposed to be reduced or even phased out by 1996. In addition. many concession rights for towns and cities expire by 1996, raising the prospect of much greater competition in these

As an energy expert at BGW explained. allowing in foreigners. If we move ahead. But we cannot go it alone. But we know we are under pressure.'

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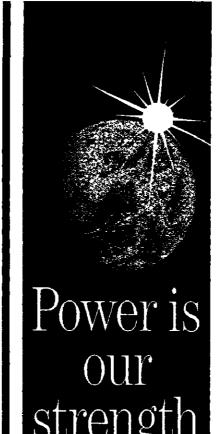
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6000 MW of power generation capacity.

 Our strength is supplying power and heat to our Finnish clients at some of Europe's lowest prices. Our strength is operating more than

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equity investments. Our strength is more than 60 years of experience and know-how in all aspects of power engineering, generation, transmission,

operation and maintenance.

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generation.

Power stations are one of the main causes of air pollution in Europe. Moreover, they cause a diplomatically troublesome kind of pollution which can travel thousands of miles across national boundaries. The Green Party in Germany grew out of public rage that acid rain from abroad was withering Germany's beloved forests. The surge in public support for environmental campaigns in the late 1980s across much of Europe was also stimulated by the 1986 Chernobyl nuclear explosion in

Ukraine. Public concern has prompted many attempts at curbing pollution from electricity genera-tion. However, these initiatives have proved controversial; even those governments which most fervently support con-trols have also been reluctant to relinquish their right to set energy policy without reference to their neighbours.

According to the European Commission, around two thirds of emissions of sulphur dioxide in Western Europe come from power stations or domestic heating. Power stations also pump out about a fifth of emissions of nitrogen oxides in these countries.

Both "sox" and "nox", as

these collections of gases are known, can cause acid rain. They can retard plant growth, and cause skin and eye irritaPollution reduction remains a high but increasingly costly priority, reports Bronwen Maddox

The health of all living things

tions and breathing difficulties in people.

Power stations burning coal oil and gas are also responsible for about a third of the emissions of carbon dioxide, one of the main gases implicated in the threat of global warming. Most European countries have signed up to two main rafts of regulation to tackle these threats. The Long Range Transboundary Air Pollution

Governments, however green, are jealous of their national policy role

Convention, drawn up in 1983, is a package of protocols directed primarily at sox and nox. Countries have negotiated separately on each of these protocols.

In addition, at the end of last year, the European Union col-lectively ratified the climate change convention agreed at the 1992 Rio Earth Summit. Under the treaty, the EU must bring emissions of carbon dioxide back to 1990 levels in the year 2000. That will mean a cut of some 12 per cent on projected levels, the Commission

European countries have



try and reach these targets. To combat sulphur emissions some such as Germany, and to lesser extent the UK, have fitted power stations with flue gas desulphurisation.

Before the Rio summit, European Union countries also drew up proposals for an

energy tax of \$10 a barrel of oil-equivalent, weighted towards those fuels with highest carbon content. However, proposals have stalled because of worries about the impact on international competitiveness, and about political controversy. The UK government, which last year

walked into one of its stormiest political rows when it imposed value added tax on domestic heating fuel, has been particularly unwilling to contemplate a further, Brussels-imposed hike in the price of

France, which generates more than two thirds of its

electricity from nuclear power, has also protested that the nuclear power should be not emit carbon dioxide, sox or

European Union countries have also drawn up an energy conservation programme called SAVE - specific actions for anti-pollution regulations. It notes that "since the mid-1980s emissions have been falling at a slower rate".

Nox has proved a tougher battle. While measures to control pollution from power stations and other industry have had some success. "the reductions in emissions are more than offset by the increases in the number of vehicles on the road. The net result is that nox emissions are still rising in many countries," the report

vigorous energy efficiency. The

programme wants to urge higher energy efficiency stan-

dards on the building and car

industries. However, momen-tum behind these has also

slowed, partly because recession reduced the rate of con-

struction and new design,

Despite those obstacles.

there has been improvement on some of the fronts. How-

The decline in carbon

emissions is due

primarily to recession

ever, there are many signs that this is due to wider industrial

changes, rather than the suc-

cess of the anti-pollution mea-

Commission figures show a steady decline in sulphur emis-

sions during the 1970s and

1980s, by roughly 20 per cent overall. In its 1992 overview of

the state of the environment in

the EU, the Commission com-

ments that this fall is "due

mainly to the energy-saving measures taken in response to

the 1973 and 1978 oil shocks

and industrial restructuring"

While EU data is incomplete,

Commission officials suggest.

of the second second

while carbon emissions have been growing more slowly than expected, for instance in the UK, this is largely due to recession, environmentalists

Commission officials suggest privately that further improvements may follow that pattern: due less to specific measures than to structural changes within Europe, such as east German modernisation, or the UK's switch from coal to gas in power generation. Equally, future energy policy changes—for example, if the UK decided to phase out nuclear power in recently-launched review of the industry - could coun-teract the effect of measures to

curb air pollution. The environmental impact of electricity generation is likely to continue to be politically contentious. But while there may well continue to be environmental improvement, the driving force is likely to be the economic and industrial changes in Europe as much as purely "green" concerns.

Bronwen Maddox on the bid to clean up Cracow's power plant

Poland freshens the tainted air of freedom

rest of the Polish energy

ctor because of its pioneer role in securing

From the elegant, cobbled tries that it will reduce not streets in the heart of Cracow, people cannot see the power plant that supplies their elec-tricity. But on an overcast day, they can certainly smell it. After the huge steel works located just outside the town, Cracow's Heat and Power plant is the biggest polluter of the district's air.

That is just one of the legacies of the past which the plant's managers are now trying to tackle. However progress so far has been frustrat- of the kind now being fitted to

ingly slow, ställed repeated shifts in government policies on foreign finance

Mr Krzysztof foreign capital to ensure Ebro-Prokesz, plant's

its modernisation strategy and implementation manager, finance. The plant has already stresses that the plant's success in achieving its hopes "is important for the whole Polish energy sector. This plant is the pilot showing the way to bring in capital to modernise the

It will, though, be a long haul. Demand for electricity is currently running below 1986 levels because of the slump in industrial activity as the economy restructures, although the plant's managers expect it now to climb steadily.

While pollution from the plant has improved during the slump, it will rise again as output increases. So too will the costs of the plant's pollution permits. In 1993, it paid 44bn zlotys in fees to local environmental protection agencies for the right to release gases into the air.

The plant's main environmental concern, according to Mr Janusz Danko, in charge of environmental protection, is nitrogen oxides, known collectively as "nox".

The gases can cause breathing difficulties and contribute to acid rain. Poland has agreed with European Union coun-

emissions sharply by 1998. At Cracow, they are keen to install low-nox burners which would cut emissions by up to

Sulphur emissions - the other big cause of acid rain are less of a concern, as the plant burns Polish coal which is low in sulphur by European standards. The managers are consequently unwilling to invest in expensive flue-gas desulphurisation equipment

many power stations in The Cracow plant claims Western to be important for the

> improvements cleanliness are near-imposrestructuring

and more spawned two subsidiaries to look after maintenance and transport, as a first step in reducing its labour force.

In 1992, the managers began to explore the possibility of World Bank funding, but the bank wanted the plant itself to make a financial contribution. The plant's original plans for a joint venture with a foreign company were shelved when the government indicated that it preferred to sell a stake in the company, in order to raise funds for the Treasury as well as enabling a capital injection into the company.

Instead, the managers turned to possible foreign partners, including Electricité de France (EDF). However, government officials have also suggested that the local gov-

ernment could be a partner. Decisions on the plant's future ownership have now been suspended until after June 19. The plant is not short of plans, but until the government's stance on the industry becomes clearer, the finance for modernisation is tantalisingly just out of reach.

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excessive profits.

Lour years after the

■ England and Wales elec-

tised, the companies created

for the state sell-off are in a

Professor Stephen Little-

child, director general of the

Office of Electricity Regula-

tion, is reviewing price con-

trols which consumers say

have allowed the regional dis-

tribution companies to make

He is threatening tough

action following charges that their prices and profits are too

National Power and Power-

high, sometimes blatantly so.

Gen, the generating companies

carved from the non-nuclear assets of the Central Electric-

ity Generating Board, have

also been under the regulator's

scrutiny following claims, par-

ticularly from large customers,

In this, say critics, the generators are assisted by a trading

system, the wholesale electric-

ity pool, which constitutes one

of the most complicated and

arcane markets in the world

and is in need of serious

The judge and jury on the

charges is Professor Little-

child, the industry regulator

who was appointed earlier this

year for a second five year

ence over the market.

tricity system was priva-

term of office.

their strength.

He cleared the generators of

abusing their power, but never-

theless struck a deal to temper

He is also increasing pres-

sure for reform of the trading

pool. One possibility is that

companies will be allowed to

bypass the pool when they

trade in electricity; existing

rules mean all power must be

experiments to allow buyers of

electricity a greater role in

air other countries must be

wondering whether the UK

experiment in electricity priva-

ity companies deny this. They

argue that the changes are evo-

lutionary rather than revolu-

tionary and are refining a sys

tem that has, after all, kept the

lights on and has reduced

prices in real terms for all but

Consumer groups dispute the

claim of price reductions,

pointing out that it depends

which date you take as the

But there is grudging recog-

nition that the industry is

the very largest companies.

start of privatisation.

Not surprisingly the electric-

tisation has gone wrong.

With so much change in the

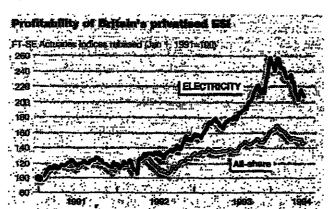
The pool is also conducting

traded through the pool.

ELECTRICITY IN EUROPE VI

British utilities face profiteering charges, writes Michael Smith

Bonanza raises hackles



STATES OF THE SECOND sional calls for renationalisation attract little support and the Labour Party would be unlikely to make it a priority if it won the next general elec-

However, few people would deny that the government committed errors when it laid the groundwork for privatisation at breakneck

more efficient and more serspeed in the late 1980s. vice-oriented than it was Most industry analysts before privatisation. Occabelieve that the CEGB's stock market would not buy

been broken up into a greater number of smaller bundles than the two chunks allocated to National Power and PowerGen.

Even ministers acknowledge this as a mistake, pointing out it was influenced by original plan to include the commercially unattractive nuclear stations in the sale. The reasoning was that the

small power companies that included nuclear stations. In the end, the government was persuaded that investors would not buy any nuclear stations, whatever the size of the parent company, and they were kept in the state sector.

By then, however, it was too late to split up National Power and PowerGen without abandoning the timetable for privatisation. It was left to Prof Littlechild to sort out the was what he attempted to do in his settlement with them earlier this year.

he deal is that the generators endeavour to sell off plant by the end of next year; until then they have agreed to adopt policies which will lead to reducing prices in the

electricity pool In exchange, Prof Littlechild agreed he would not refer the generators to the Monopolies and Mergers Commission for at least two years. By then,



competition will have grown as independently-owned power plants come on stream.

The deal satisfied few. other than the large users of electricity including Imperial Chemical Industries, who buy their power supplies at prices directly related to the pool

However, the vast majority of consumers are unaffected by short term pool price changes covered by long term hedging contracts. They were, therefore, indifferent to Prof Littlechild's settlement with the generators.

Independent generation however. companies, complained that the price cap would deter them from setting up new plants. Given that the deal was supposed to foster competition, this is a serious

Another problem is that the settlement may turn out to be merely a temporary fix. It is far from certain that the generators will be able to find buyers for their plant at the kind of prices that they consider acceptable.

And even if they do, the plant they keep will probably continue to set the price in the electricity pool. It is this power to set prices that most offends free market champions like Prof Littlechild.

Little wonder then that he is pushing for the pool to accept bypass arrangements. The more trade occurs outside the pool - that is between a generator and a customer – the less important its prices become. However, securing the industry's agreement for bypass arrangements will not be easy. Some companies including regional electricity companies argue that the pool

is effectively bypassed anyway because of the hedging arrangements. They are concerned that formal bypass arrangements would make the pool even less transparent and would produce little savings for consumers.

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Thing in

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Concerned though the regional electricity companies are about pool reform, their over-riding consideration this summer is the distribution review which Prof Littlechild is conducting. Leaks of a letter from his office to the companies earlier this summer suggested that the companies may have to reduce distribution prices by up to 20 per cent next April. Future increases would be limited to inflation minus 4 per cent.

everal of the companies are warning privately that unless Prof Littlechild softens his line then they will take their case to the Monopolies and Mergers

Most analysts think the regulator will compromise and allow the companies a return on their assets which they can present to shareholders as at

Undoubtedly the excessively good times are over for the distribution companies. But the party is not about to end.

🔪 entral European countries can only dream of the range of fuels available to the UK for electricity generation

But they are less envious of the political problems which result for a government determined to let the market decide on which fuels should be used.

There were times in 1992 and 1993 when the very survival of the government ed threatened by the furious reaction to its decision to close three fifths of the nation's 50 remaining coal mines because of a lack of markets for their products. With that crisis apparently overcome. the government's difficulties in power

generation this year centre on a nuclear review which it promised five years ago but has been reluctant to start. It will have to deal with the demands of Nuclear Electric, which with Scottish

Nuclear provides virtually all of the UK's nuclear power, that it be privatised and be allowed to build new power stations. Meanwhile, the growth of the use of gas in power production is continuing. Although changes in prices in the England and Wales power trading pool have delayed the building of some stations, gas could take more than 30 per

century, compared with almost nothing in Some forecasts see gas taking almost all of the market by the year 2001. Many

cent of the market by the end of the

Coal squeezed between gas and nuclear

duce electricity at higher prices than ever simple. The coal lobbyists tend to time. Since then a succession of pit clo-

Britain is a battleground between rival fuels for power generation, reports Michael Smith

European countries would rule that out because of its implications for security of supplies. The government shows no signs of doubt, saying that if corrections are needed in the fuel supply balance then the market will have plenty of time to make

Its confidence in its abilities to sort out any problems will bave been immea ably boosted by its resolution of the coal closures crisis which was politically

With the closures programme now largely completed - at least while the industry remains in state hands - Britain now has only 16 deep mines (three fewer than were envisaged in its mishandled plan two years ago) aemploying fewer than 10,000 men. That compares with 50 pits and 50,000 men two year ago.

Ministers got away with it because their white paper of March 1993 appeared to offer so much. They indicated that several hundred million pounds were available to keep the mines open, but in the event almost nothing has been paid out. What the white paper did was to buy

sures have been announced, but because they have closed in ones and twos rather than in one large operation there has been far less publicity.

feelings about pit closures stems in part England and Wales. from its determination to privatise an

industry that it believes would be Gas could take almost a third of much better run in the private sector. the market by the end of the century ing and distribution Privatisation is compared with zero in 1990

pleted later this year. At its previous size the industry the 12 regional electricity distributors would have been unseliable; the markets were simply not there. The main reason was that the two largest generators in England and Wales cut purchases from 65m tonnes in 1992-3 to 40m tonnes in 1993-4 and 30m tonnes for the following four years. However, the government's ent that the tonnage decline was

dictated by the free market is not wholly

convincing. The coal is being displaced

mainly by new gas plants which will pro-

existing coal stations.

The coal lobby argues that the "dash for gas" is due to the way the electricity industry was privatised, with the creation The government's defiance of public of just two large power generators in This would have been less harmful if

created vertically integrated generatcompanies as it did in Scotland. But in England and Wales,

on what they consider to be a duopoly of the two generating companies. Their participation in the dash for gas. in which they helped to build new sta-

were desperate to lessen their dependence

tions, was prompted by a desire for alternative supplies. National Power and PowerGen were

forced to join the gas stampede or see their markets severely squeezed, the argu-

forget that the switch to gas is partly prompted by environmental considerations: gas emits much less sulphur dioxide than coal and without it the UK would struggle to meet internationally agreed pollution targets.

Nevertheless the government did no favours to the coal industry when it decided to privatise it after completing a sale of the power industry with a less than fully competitive structure.

But perhaps the biggest test of the government's free market principles will come in its attitude to the nuclear industry both in this year's review and over the next few years. If the electricity market was truly free then Nuclear Electric and Scottish Nuclear would be told that that they could never build another nuclear station unless they could produce power from it at fully competitive prices.

But that would probably mean the beginning of the end for the nation's nuclear power industry, with two compa-nies retaining an ever dwindling share of ment goes. In energy markets nothing is the market as they decommission ageing

stations. Nuclear Electric acknowledged recently that it could only build Sizewell C, its second 2,600MW pressurised water reactor station in Suffolk, if the state provided it with "material support". That does not necessarily mean direct

aid. It could, for example, be achieved by the government agreeing to meet unfore-seen decommissioning costs. Or the government could decide to set aside a specific proportion of the power generation market for the nuclear industry. Any form of support, however, would require the government or consumers to give essistance that they will not be providing to other fuels after 1998.

In the review and beyond, the government will face arguments from powerful lobbies, including some of the country's largest companies who want a share of power station contracts, that nuclear power generation should be supported.

If Nuclear Electric is unable to start work on Sizewell C soon, the expertise gained in building Sizewell B, its forerunner, would dissipate, they say. They also argue that Britain would be unable to meet future environmental targets on sulphur and carbon emissions.

If the government accepts these arguments it will be accused of abandoning the free market principles it clung to in the coal debate. An inconclusive result to the nuclear review seems likely.

This announcement appears as a matter of record only.

March 1994

The Treuhandanstalt

has sold, in separate transactions, the majority of the shares in

the 14 eastern German regional electricity distribution companies

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on the European power markets

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Recent corruption scandals and the risk of political instability are unsettling investors and could undermine economic confidence, says David White

tive economic recovery. But, as Felipe González's Spanish government has found out, arguorder to rebuild economic confidence does not necessarily work on voters.

After almost 12 years of Socialist administration, political uncertainty now has to be factored into the Spanish equa-

The risks of instability are of a different order from those experienced in the early 1980s when the Socialists came to power, not long after an attempted military coup and at a time when Spain was not yet anchored in the European Community. However, events that have taken place over the past two months have left the

After a series of resignations from the government and parliament over corruption affairs involving former top officials, the discredit to the government was reflected in a resounding defeat in this month's European elections. Mr Gonzalez, who since last year no longer has an outright majority in parliament, has been left to depend on a precarious arrangement with Catalan nationalists, who are willing to support him subject to certain conditions. When it comes to drawing up the 1995 budget, these conditions may prove dif-

Spain could, therefore, face a new election period at any time from now. The prospect has unsettled investors. The probable outcome - the advent of a conservative Popular Party government determined to take a tougher line on curb-

f there is ever a good time for a political crisis, it is not at the beginning of a tenta-

However, the Popular Party has vet to clarify its economic programme. There is also a danger that it could fall short of a governing majority and have to rely - as do the Socialists but possibly with even more difficulty - on alliances made with regionalist parties.

These jitters have magnified the impact in Spain of recent international turbulence in the bond markets. The government's worry is that political nervousness will interfere with the restoration of husiness confidence in the aftermath of last year's recession, the worst Spain has experienced for more than 30 years.

Expectations of a recovery led by exports and tourism both benefitting from a threefold devaluation of the peseta in 1992-93 - have been confirmed by figures so far this

Holidaymakers are flocking back to Spain. The country is heavily booked for what is expected to be a record year bringing foreign exchange revenues of about \$22bn.

Exports rose by a third in real terms in the first four months of the year compared with the same period of 1993. However, imports have also started rising more strongly than expected. The most recent figures, for

April, brought a setback to the improvement in the country's balance of payments current account. However, some analysts still expect the current account to come out of deficit this year for the first time

According to Bank of Spain

estimates, gross domestic product rose 0.5 per cent in the first quarter compared with a year previously, following negative figures for the five previous

The OECD recently revised its annual growth forecast for Spain upwards from 0.9 to 1.2 per cent. Government planners expect that the rate will be closer to 1.5 per cent, following negative growth of 1 per cent last year.

However, even the more optimistic forecasts are below the average growth predicted for the rest of Europe. It is not clear how soon Spain can reverse the rise in its jobless rate, which reached 24.6 per cent in the first quarter, more than in any other European

The government believes that measures which came into force this month introducing more flexibility in the labour market - although not as much flexibility as industrialists would like - will help bring about an early recovery in employment. Industrial production figures have been improving since last November. However, in spite of lower borrowing costs, investment is

he picture for foreign industrial investment, which accounts for about half of Spanish manufacturing, has been overshadowed by recent problems at companies such as Volkswagen's Seat subsidiary – which is due to receive government aid - and Suzuki's offshoot Santana

Wage costs, which in the last few years have risen by about two points above the annual rate of inflation, have eroded



Top bank groups							
Bank	Assets (Ptabn)	Customer funds (Ptabri)	Employees	Branches			
Santander/Banesto	15,366	7,429	45,500	4,000			
Banco Central Hispano	12,950	6,504	34,400	3,450			
Banco Bilbao Vizcava	11,635	6.879	28,700	2,900			
Argentaria	11,192	5.054	17.600	1,500			
Banco Popular Español	2,865	2,173	12,000	1,800			
i			Source	e benks' own 1993 f			

Spain's competitiveness as a manufacturing base.

Pay increases this year, hower, have been more modest, with settlements averaging less than the government's 3.5 per cent inflation target. Although this target looks

unlikely to be met - given that consumer prices have so far stubbornly refused to fall below a 12-month rate of 4.9 per cent - inflation is expected to ease off later in the year. One of the more dramatic

and potentially damaging sideproducts of recession - the crisis at Banesto, one of the country's leading banks - has been successfully and swiftly dealt

From the Bank of Spain's summary intervention in late December to the sale of a restructured Banesto took less than four months, with minimal consequences for confidence in the banking system as a whole.

Banesto was the biggest bank to have run aground in a long series of Spanish banking crises. Its rescue, a \$4bo repair job to its balance sheet, was one of the biggest operations of its kind mounted anywhere. And its eventual sale by auction to Banco Santander for

more than \$2bn was Spain's biggest takeover.

The result is that Banco Santander - formerly a middleranker among the main Spanish banks – has taken over as the country's top banking

Nothing has changed more in Spain since the mid-1980s than the banking and financial system. Instead of seven "big banks" there are now four.

Two big private-sector bank mergers have taken place. State banking interests have been brought together into the partially-privatised Argentaria. And savings banks have under-

taken a series of mergers, expanded outside their regional fiefdoms, and taken over commercial banks.

A generational change has taken place among the leading bank chairmen. Financial markets have been reformed, exchange controls lifted, restrictions eased, the last fixed interest rates abandoned, barriers to foreign banks removed, competition opened

Banks no longer have to keep a large proportion of their serves and low-yield state-directed investments.

What has not changed is the unmissable physical presence of banks on Spanish streets. Spain still has more bank branches than France or Britain, and more per head of population than anywhere else in Europe except Denmark and Luxembourg.

The tradition whereby there is a church, a bar and a bank on every block seems to die hard. On the other hand, more than a third of the bank branches carry names that are different from those of five or six years ago, such has been the reorganisation of the sec-

It is a bitter irony that one of the main figures who oversaw the modernisation of the sector, and one of the main standard-bearers of economic orthodoxy during the Socialist party's period in government -Mariano Rubio, for eight years governor of the Bank of Spain - should also be one of the chief protagonists of the corruption scandals that have brought the government and some of the country's leading

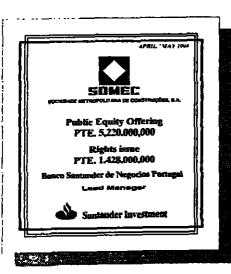
institutions into disrepute It may well be, as some bankers argue, that Mr Rubio's alleged misdemeanours, such as insider dealing, were "no more than everybody else was doing" in the 1980s. His disgrace, then, is a sign of another important change, to stricter rules and standards.

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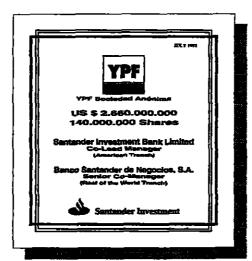
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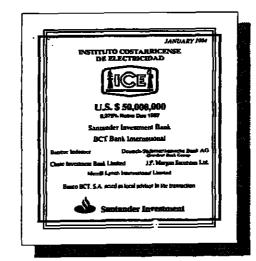


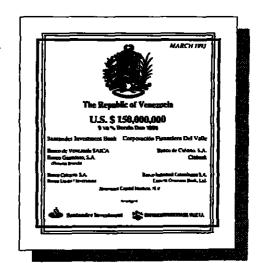


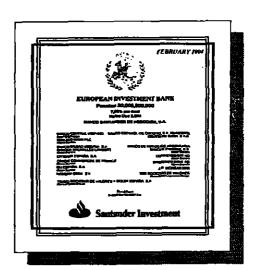














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The boat starts to rock

For the private banks which still dominate in the first quarter. retail banking in Spain despite growing competition from savings banks, this is already an unsettling year. It started uncomfortably with the dismissal of Banco Español de Crédito's (Banesto's) management and shows few signs of short-term

The removal of Mario Conde as presi dent of Banesto by the Bank of Spain and the subsequent restructuring in which Banco Santander took a controlling stake propertied investors in the private banks. Shares in banks with industrial holdings such as Banco Central Hispano suffered a loss of confidence.

Six months on from the drama, which embroiled the US bank J.P. Morgan because of its dual role as Banesto's adviser and an investor in Banesto through its Corsair fund, stability has been restored. The central bank is generally held to have wielded supervisory pow-

ers effectively if drastically.

Yet Banesto is likely to remain a weight on Santander, and therefore influence the dynamics of retail banking, for at least two years. Santander must prove that it is able to gain value from its bid of Pta762 (\$5.52) per share for Banesto, a bid which was greeted with scepticism by the stock

The acquisition of Banesto is a significant step in the process of the consolidation of Spanish banking from the old "big seven" banks to four big banks - Santander/Banesto, Central Hispano, Banco Bilbao Vizcaya and Argentaria, the collection of former state-run banks that were partly privatised a year ago.

effect of the purchase is to move Santander closer to its ambition to be a rival to banks such as Barclays and Deutsche Bank. That means a bank with strong roots in retail banking in its home country, but with a strong global and investment and commercial banking presence. But in its home market, some rivals

hone that it has at least hitten off enough in Banesto to offset the effects of its sustained effort to raise market share over the past five years. Its launch of high interest savings accounts in 1989 was one of the formative incidents in increasing

Santander has chosen to keep Banesto as a separate group under the management of Alfredo Saenz. In spite of the clearing of the immediate asset problems caused by Mr Conde's expansion, other banks say that Mr Saenz has a tough task to instill some vigour in the managers of Ramesto's rural branches

They hope that the task will dampen the competition for assets - particularly mortgages - and deposits, which intensified last year and early this year.

Jorge Hay, Central Hispano's research director, says that net interest margins narrowed "quite sharply" at some banks

Goldman

Tractament de Residus

PTAS 18,600,000,000

fCC

Fomento de Construcciones

v Contrates, S.A.

3,000,000 Shares of Capital Stock

U.S.\$350,000,000

Grupo INI

INI Finance B.V.

instituto Nacional de Industria

U.S.\$650,000,000

to Banco Santander, S.A.

in the last twelve months Goldman Sachs acted as joint-lead arranger

and underwriter to Entitat Metropolitana de Serveis Hidráulics i

Tractament de Residus; financial adviser to Pedro Domecq, S.A.,

Empresa Nacional de Electricidad, S.A. (ENDESA), Emfisint, S.A.

and Sociedad de Crédito Hipotecario Bansander, S.A.; global

coordinator to Fomento de Construcciones y Contratas, S.A.; joint-

lead manager to Instituto Nacional de Industria and lead manager

London New York Tokyo Seijing Frankfurt Hong Kong Madrid Milan Montreel Moscow Paris Seoul Singapore Sydney Talpei Toronto Vancouver Zurich

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Spain

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This is a continuation of a long trend of narrowing margins following the emergence of true competition among banks. But last year's fall was dramatic - private banks' average net interest margins fell by 0.5 percentage points from 8.24 per cent to 2.74 per cent between 1992 and 1993.

That kind of fall is unsustainable. In 1993, it could be absorbed because banks made up all the loss of profit on lending business through bond and foreign



Last year's squeeze on lending has raised ons about the sector's development

exchange trading, including bond sale and repurchase. Profits were virtually guaranteed by falling short-term interest rates.

The expectation of a further fall in interest rates caught banks out in the first quarter. Some tried to gain mortgages by pricing them virtually at the cost of funding, expecting margins to widen as interest rates fell. They no longer had windfall trading profits to cover this squeeze.

Yet not all is gloom for the banks. There are hopes that the first half of the year will mark the bottom of their fortunes for a number of reasons:

• The shock of first and second quarter

Pedro Domecq, S.A. and its croup of companies

Ailled Lyons PLC

Aillied Domecq PLC

Empresa Nacional de Electricidad, S.A. (ENDESA)

Endesa Desarrollo, S.A.

(ENDESAR)

Barcelona, S.A. (SGAB)

Santander Finance Limited

10,000,000 Shares

anco Santander, S.A.

ILS. \$250,000,000

ta.acquired from (bendrota, S.A. 11.78% of the share capital of

ledad General de Aguas de

figures is likely to persuade banks of the folly of competing too strongly in a static market for loans.

The second quarter fall from last year may be pronounced because the 1998 figure reflected windfall gains from the devaluation of the peseta.

 Spain's recovery now appears entrenched. Central Hispano is predicting a growth in demand for bank credit of 7 per cent this year, compared with a fall of 1 per cent last year. This should both improve volume, and

ease pressure on margins from banks competing for limited demand. • The fall in interest rates squeezed margins last year, but will gradually ease the

burden of non-performing loans. Banks should be able to release provisions if the economy recovers sharply. They will also have to pay less to finance loans on which borrowers have

suspended paying interest. These factors should ease some of the short-term pressures on banks. But the Banesto crisis and last year's squeeze on lending have raised long-term questions about the development of the sector. These concern growing competition from capital markets, and the future of banks' equity

holdings. One reason for the Spanish banks' tradi-tional profitability is that there has been relatively little "disintermediation" - a bankers' term for the elimination of banks as intermediaries between investors, and issuers of financial instruments. This has been true of both wholesale and retail

Few large Spanish companies have easy access to commercial paper and mediumterm note markets to raise finance, but are instead heavily dependent on bank finance. Similarly, retail customers have relied on bank and savings bank deposits as short-term investments rather than equities and bonds.

However, there has been strong growth in bond-based mutual funds in the past year, encouraged both by falling inflation and tax breaks to finance the public sector

A switch from bank deposits in the long-term would put pressure on banks' to rationalise their large branch networks. Companies are also likely to rely more on capital markets. They may have to do

so, as banks such as Banesto and Central Hispano reduce equity holdings to free capital. But Spain could face structural problems if banks switch away from equity holdings before capital markets

Rod Frew, Lloyds Bank's chief manager for Spain, says that the sector has "seen the end of growth in industrial holdings" But he argues that banks could face equivalent problems if they simply replace equity stakes in companies with lower-re turn debt finance

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David White follows a drama few believed could ever hit the top bank

Banesto joins the crisis list

shareholders' meeting anybody in Spanish banking could remember and at moments came close to anarchy. A succession of small shareholders stood up to protest about

being swindled. About 6,000 people turned up to the exhibition hall outside Madrid for the meeting, on March 26, although most had gone by the time it ended nine hours later.

The outcome had been determined by proxy votes supporting the restructuring plan for Banco Español de Crédito (Banesto), opening the way for its sale and the conclusion of the most spectacular crisis ever to hit a too Spanish bank. In the midst of this, protesters carried a banner through the lines of chairs with a single word on it: "Rumasa" – a reminder that, while the authorities and the banking

community were making a concerted effort to treat the unset at Banesto as a unique case and prevent panic spreading to other institutions, the symptoms of the case were not without precedent in Spain. In February 1983 the Socialist government, then newly

arrived in power, had also taken a deep breath and seized Rumasa, the country's largest privately-owned holding group, to prevent a collapse that threatened to shake the country's whole financial sys-

There were clear differences between the two cases. Rumasa was expropriated outright and sold off bit by bit while the Bank of Spain intervened in Banesto with a view to re-launching the bank as quickly as possible under new control

There were also contrasts between the men at the centre of the two affairs. José Maria Ruiz-Mateos is a self-made man, devout member of the lay organisation Opus Dei. who built a small family sherry business into an empire including hotels, stores, building, agrobusiness, insurance and 18 banks. The glamorous

It was the longest Mario Conde is a clever lawyer who sold his stake in a pharmaceuticals company for a large sum and parachuted into the chairmanship of Banesto at the age of 39 as it was fighting off a hostile takeover bid.

They do, however, have some things in common. Both are outsiders who have tried to take on the banking estab-

they are inge-nious financial manipulators who face alleof gations irregularities; both and

headed groups in which banks and industrial companies co-existed in complex relationships that went sly awry when business conditions became tough.

In Rumasa's case, it was the banks that belonged to the industrial group and were used to finance it. In Banesto's case, industrial participations belonging to the bank compounded the problems in its ending business.

Spain sometimes has a short memory, but it should know a bit about bank crises. In the 15 years from 1978 there were 30 hank collapses, not counting that of Rumasa. The series culminated in 1982/3 with several

Dec 28: Banesto shares are

suspended. Bank of Spain

intervenes, sacks chairman

Mario Conde and rest of

Banesto board, Appoints

Jan 28: Rescue plan

sheet. Former board

shares resumes.

Feb 28: General

launches unsuccessful

Feb 1: Trading in Banesto

shareholders' meeting called.

Mar 16: J.P.Morgan, whose

Corsair fund has largest

Alfredo Saenz as chairman.

approved to repair Pta605bn

Atlantico - Rumasa's Barcelona-based flagship, now controlled by the Arab Banking Corporation - Banca Catalana and Banco Urquijo were also brought down by industrial

In Spain, the German model of leading banks at the centre of a web of industrial interests lishment and the government; has frequently been found not to work well. At the time

Between 1978 and 1983 of the Ru Spain has witnessed 30 expropriation. it was unimagbank collapses, not inable that counting that of Rumasa ■ meet a similar

fate. Banesto was still the top Spanish bank by the size of its customer deposi Founded in 1902, it was for decades the epitome of banking in Spain, stodgy, conserva-

tive, but solid and ultra-re-Its pride in its retail network, reaching into the farthest corners of the country, is recorded in bronze in the lists of branch names adorning the outside walls of its old head

office in central Madrid. Ironically, Mr Ruiz-Mateos had tried, unsuccessfully, to get into Banesto as a lea minority shareholder in 1982. "I am convinced," he wrote

single shareholding, agrees

Mar 28: Shareholders vote

in favour of plan and legal

action against the former

Mar 29: Terms for sale of

majority holding released.

Banco Central Hispano

withdraw from contest.

leaving Banco Bilbao

Vizcaya, Banco Santander

and Amentaria in the race.

Apr 25: Competing banks

submit sealed bids. Banco

Santander announced as

In addition, the Madrid Trea-

sury negotiated last year a syn-

dicated loan facility with the

UK's National Westminster

bank, which led the syndicate.

that provides a multi-currency

Pta750bn standby credit line

over a three-year period at Libor plus 0.075BP.

has still not made use of this facility, one of the largest

available to an EU member,

although there are suggestions that some of the foreign banks

in the syndicate are urging it

the government has several

options with which to over-

come the ban on monetary fin-

It can start to take up the

Nat West's facility and it can,

in addition, negotiate a similar

credit line with the domestic

banks. It can also return to

short-term three- and six-

month debt issues, a strategy

Should the going get tough

to do so,

A year later the government

Apr 18: Banco Popular and

recently, "that collaboration between Rumasa and Banette would have been enormous beneficial for the national economy, and would have economy, and would avoided the great drama of Spanish capitalism, the destruction of our industrial destruction of our industrial and financial fabric."

From the end of 1987, M. Conde took Banesto on a new path of aggressive lending. The bank's loan volume rese rose 109 per cent in the 500 years from 1988 to 1991, two the rate of growth in the of the banking sector.

It had to pay a high price to finance this expansion, con-peting with Banco Santanda its eventual new owner - is offering interest-bearing

The concentration of rich was accentuated by landing was accentuated by landing a recession-hit companies in it industrial holding group. Efforts to consolidate

through provisions and Pha95on capital increase in year proved insufficient. Bank of Spain moved in ca. December 28, overriding the plans which J.P.Morgan of the US had laid for bailing the bank out. Auditors superquently raised their estimates of the hidden losses at the bank by 20 per cent to Pta605bn.

The rescue, including to cover non-performing saids, and an interest-free create offset current losses, will be cost the Bank of Spain and the private banking system, bankin account the profit made selling newly-created should a premium to Banco

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The latter, which declared its intention of hou ing on to at least a 40 persons. share, is setting about a line. Banesto's industrial holds. and - through Bankers Trait - the stakes which Mr Coals built up in newspapers and Tr

To stop Banesto having a negative impact on its council dated results, it says it will need to recover some Pts300 of dubious Banesto loans.

Tom Burns looks at the degree of autonomy the Bank of Spain enjoys

The rescue

to plan.

board.

Maintaining independence

Luis Angel Rojo, the Bank of Spain's governor for the past two years, is cautious when he talks about the autonomy statute that was legislated for the institution by parliament last month. 'In theory we are now as independent as the Bundesbank." be says.

Modelled on similar legislative initiatives in France, Ireland and other European Union member states, Spain's autonomy law gives Mr Rojo and the bank the responsibility for setting a monetary policy that is compatible with reducing inflation .

In line with the Maastricht Treaty's provisions on central bank independence, the new law also prohibits the institution from financing the Treasury or any other public entity. However, the Spanish government, as elsewhere in the EU, has reserved for itself the responsibility for exchange rate policy.

Theoretically, as Mr Rolo would have it, the goal posts have now been changed on Spain's economic playing field.
What remains to be seen is

how the game alters. The consensus view is that is will not change a great deal, at least not in the mid term.

The Bank of Spain's governor knows that a set of legal provisions does not automatically create a code of public conduct. Whether the bank becomes a recognisable Buba clone will depend on the firmness displayed by Mr Rojo and the bank over time and on the backing that such independently-minded decisiveness might receive from parliament and

Mr Rojo argues that a certain amount of education is in order: "The Germans understand that price stability is important, the Spaniards understand this less." He also belives that at some future date there could be disagreements with his ministerial masters because price stability "is an objective that hardly anyone in politics is interested

So far the governor has been fortunate with his political overlords. Former economy minister Carlos Solchaga, who appointed Mr Rojo governor, echoed Mr Rojo's sentiments when he confessed in a bittersweet valedictory speech to parliament that a real domestic problem was the fact that Spaniards had never been sufficiently worried about high

Pedro Solbes, who replaced Mr Solchaga a year ago as economy and finance minister, has put budgetary restraint at



Such political support has made Mr Rojo's job a lot easier. Having steered the peseta through three devaluations in less than a year, following Europe's monetary turnoil in the autumn of 1992, Mr Rojo asserts that he has already been acting with the sort of independence which the autonomy statute has now formally granted the bank

Over the past few months Mr Rojo has almost halved the Bank of Spain's benchmark intervention rate and brought it down to 7.5 per cent and he claims that over the period he has not received a single instruction from the economy and finance ministry on interest rates cuts. In the same vein, the govern-

ment has anticipated the new restrictions on monetary financing by unilaterally relinquishing this instrument at the begining of 1993. It did so shortly after the cabinet approved the draft Bank of Spain autonomy law in December 1992, although legally it could have continued to borrow from the institution right up until last month when the law was finally enacted by par-

Treasury officials say they wanted to "get into training" ahead of the han on monetary

in the event the government went to the markets last year and obtained more debt than it required: Spain's PSBR of some Pta15,000bn was overfunded by Pta8,000bn and not a peseta of

The means of the Colonial Colo

its counterparts around the world, would prefer to avoid. Arguably, the best option: open to the treasury, particularly because there are still expectations of further interest: rate cuts, is debt stripping, a strategy that originated in the US and which consists of the division and separate market ing of a debt asset into its prin-cipal and its interest. Debt stripping, which prompts a wider and more light uid secondary market, has been developed elsewhere in the EU but has still to make an impact in Spain in part because of the lack of specialised knowledge and in part: because of double taxation impediments that have still to be ironed out.

A main attraction for non-residents holding the interest-part of a stripped debt is that they are exempt from with holding tax.

Mr Rojo is therefore in the

enviable position of working with "hands-off" politicians and with a resourceful treasury that has already come to terms with non-monetary financing

He can therefore concentrate on his pet project of raising domestic awareness of infla-

The governor plans to have the bank issue monthly reports on inflation and he himself wants to address parliament's finance committee frequently

on price stability. He also wants to follow the example of Bank of England governor Eddie George and have regular meetings over monetary policy with the economy minister, the minutes of which are subsequently made public

Looking ahead, however, Mr Rojo's independence could be tested to the full. Should the domestic economy begin the recover quickly - which it could do - will Mr Rojo be tempted to push up interest rates in the manner of the Fed's Alan Greenspan? And should Mr Rojo want to do so, what will be the reaction of

which Madrid's treasury, like FT SURVEYS INFORMATION For details of forthcoming ET surveys, call. Calls charged at sap/min cheap rate and 49p/min at all other times

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THE RIGH

SPAIN: BANKING, FINANCE AND INVESTMENT 3

Takeovers are changing direction, says Tom Burns

Foreign funds flow in

Two disposals in the past year – the sale of a 15 per cent stake held by the March family in the construction and chemical company Uralita and the sale by Banesto of its 34 per ceut stake in the Acerinox steel producer suggest a new trend in inward investment.

In the past a Spanish com-pany was simply the object of an outright foreign takeover. In 1991, for example, Petromed. a Banesto-controlled oil company, was sold to British by & Sons, the UK subsidiary of South Africa's Barlow Rand, bought Finanzauto, a construction services group in which the March family had formerly been a major

Large takeovers are far from over. This April, following the lead of Guinness' 1990 takeover of Cruzcampo, Spain's leading brewery, Allied Lyons acquired the Pedro Domeco wine firm, the last big domestically-owned sherry producer. But the Uralita and Aceri-

nox disposals represented a new development. In both cases fresh capital flowed into the Spanish companies in the shape of foreign institutions. Mostly UK-based institutions replaced the March family's holding — Cor-poración Financiera Alba — in Uralita and mostly largely US institutions bought the Banesto equity in Acerinox. The existing management remained in place at Uralita and at Acerinox.

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endence

During recessionary cycles, this type of inward investment is common in markets that have achieved a high level of maturity. As rates come down and the markets become bullish, institutional investors are willing to pay a market-driven value for equity that is above the conventional acquisition price in an industrial takeover.

In Spain this is new because it was only at the end of the 1980s that the Madrid market began to take on the sort of strength and liquidity that attracts long-term investment from foreign

institutions. In the early 1980s, when the economy also dipped into recession, the foreign funds option was precluded by the narrowness of the domestic stock exchange.

"For the first time we were able to employ Anglo-Saxon practices and seek out institutions," says Mr Santiago Eguidazu, bead of corporate finance at AB Asesores, the Madrid firm which advised and lead managed the Uralita

Cyclically-exposed Spanish companies in need of fresh capital, such as Uralita and Acerinox, are for the first time able to tap foreign institutions that can be counted upon to anticipate the end of a recessionary cycle.

Companies in need of fresh capital can now tap foreign institutions

Uralita, with its odd mix of construction and PVCweighted chemicals, is in addition a difficult takeover target. It would have to be broken up in order to attract separate industrial buyers and even then it would have to await a sustained economic upturn that would permit the appearance of potential cashflow rich acquirers.

Phillips & Drew Fund Management owns 10 per cent of Uralita's equity, having recently increased its position in the company, and the Royal Bank of Scotland controls almost 9 per cent of the stock including a 5 per cent stake owned by Scottish Wid-

Foreign funds now control the 34 per cent of Acerinox equity formerly owned by Banesto. The US investment bank JP Morgan, advised Banesto bank on the sale of a 25 per cent of its equity, placing it in the US and AB Asesores subsequently placed a

further 9 per cent. The Uralita investment is instructive because the company smoothed the path towards the final deal and, by doing so, pointed the way for companies seeking similar

What Phillips & Drew and Scottish Widows wanted and obtained from Uralita was the right to name independent directors with a brief to exercise a broad supervision of the company's management as well as a close control over certain areas, such as the controversial issue of the beard's remuneration.

These directors - there are three, all senior officers of blg Spain-based firms - maintain a fluid relationship between the Uralita's executive management and the shareholder institutions that they represent. Such a role is

"The funds can have a shot at influencing management decisions," said a banker close to the company. "They can make telephone calls that carry clout and they almost certainly won't have to make angry scenes at the AGM."

In fact the institutions should have little cause for worry about their investments in Uralita and in Acerinox. Both are on course to become the sort of turnaround stories that gladden a fund manager's heart. At Uralita, the effect of an

intensive restructuring programme which was started in 1991 is begining to be felt. Sales volumes in the group's main division, refurbishing and housing, are up and PVC prices, the mainstay of its chemical unit, are recovering

The group could break even this year - following losses of Pta7.5bn (\$55m) in 1993 - pay a dividend next year and post profits of some Pta9bn in

Acerinox reports similar progress for its stainless steel business. The company's net profits of Pta7.5bn last year are estimated to rise to Pta10.7bn this year and are forecast to climb to Pta16.2bn in 1996, Acerinox's board has approved a Pta6bn investment to raise its production capacity and earnings per share are forecast to stand at Pta1,676 in 1996 against last year's Pta785.

CAUSES CELEBRES: SUZUKI

Having second thoughts

Anti-Japanese graffiti on the walls of the southern Spanish town of Linares bears witness to one of the bitterest stories of foreign investment in Spain over the past decade. "On terms like these, we

want no Japanese," reads one of the milder slogans outside the factory gate of Santana Motor, subsidiary of Suzuki. The embattled car company has provided the most dramatic example of a multinational venture having second thoughts about its investment

in Spain.

The case is all the more telling because Suzuki's arrival on the scene is relatively recent. Like Nissan, which also has problems at its Motor Ibérica subsidiary in Barcelona, it began producing in Spain shortly before the country's accession to the European Union, with a view to creating

a competitive export base. By suspending payments to creditors in February and proposing drastic job cuts, Santana's Jananese management provoked an explosive reaction in the Linares region, which is heavily dependent on the factory and its 30-odd supplier

Demonstrators mobbed the Japanese embassy in Madrid promising "dynamite next time". The Spanish government, seriously concerned that other Japanese investors would take fright, launched a propaganda campaign in

months later, the Spanish authorities

Gillette's announcement sparked a

controversy out of proportion to the

size of the plant, just outside Seville,

where the workforce had already

Seville in order to concentrate produc-

tion for the European market in the UK

and Germany - much like Hoover's flercely-contested decision last year to

move vacuum-cleaner production from

Secondly, the closure announcement

coincided with pre-election tensions in

Dijon in eastern France to Scotland.

There were three factors behind this. One was that Gillette was sacrificing

have yet to accept the logic of it.

shrunk to less than 250.

try about the company's intentions, the management has repeatedly declined requests for interviews. Three months after the sus-

Many of the 40 or 50 Japa-

nese executives and techni-

clans at Santana are thought

to have moved to the capital or

to have left the country. Amid

general confusion in the indus-

pension of payments the Socialist regional government world's motor companies for persuaded a reluctant Suzuki interest. Only two - BMW-Rover, which has a historical link to back a milder cutback plan, involving 900 instead of the with Santana, and Hyundai of South Korea – are thought to 2,400 exmployees instead of the have shown any willingness the company, with the promise of a credit package. The plan is an effort to buy time while a even to look into it. In its origins, Santana is typ-ical of industrial ventures set

desperate search goes on for a The regional authorites are Starting in the mid-1950s, it

cars, and then Land Rovers under licence, selling to the Spanish and Latin American markets, with the UK company as a shareholder.

made parts for farm machin-

ery, gearboxes for 2CV Citroen

But in the early 1980s Land Rover excluded the Spanish plant from its plans for new models. From 1984 the factory began making Suzuki four wheel-drive runabouts as well. and in 1990 Land Rover sold its last shareholding, leaving the Japanese company in effective control. However, Suzuki's commitment was also lukewarm. Its current 84 per cent stake came by default, because other shareholders would not subscribe to much-needed new capital.

"There has been no big investment in technology. either by the British or the Japanese," says Antonio Fern-ández Siles, chairman of the works council, recognising the difficulty of competing with other manufacturing sites. Suzuki figures show labour costs at Linares accounting for almost 20 per cent of sales compared with 7 per cent in

In the past three years the Spanish subsidiary showed losses of Pta21bn and during this year's conflict it is reckoned to have been losing money at a rate of Pta30m a

The irony is that Santana has become more of a household name in Spain the past four months, because of the protest movement against job losses, than it ever was because of the vehicles produced at the factory.

David White



Tokyo to try to limit the damunderstood to have trawled the

CAUSES CELEBRES: GILLETTE fter 27 years making razor-blades in Spain, Gillette of the US decided to close its factory. Three

Closure costly

and high memployment. The Gillette workers' cause was immediately linked with that of the "Santaneros" at Suzuki's threatened Santana subsidiary. Both cases involve facilities which flourished at a time of high import barriers but which have not been adapted to meet the competitive demands of an open European market.

The difference between them - and the third factor fuelling the row - is that Gillette has up to now been profitthe ruling Socialist party's stronghold of Andalucia, a region with a fragile and under-developed industrial sector of the Seville subsidiary, says Gillette simply does not need the factory. The

technology there is obsolete, and its production can easily be taken over by the other plants without expanding their capacity. "The machines we have here won't go to England or Germany because they have enough," he says.

up in the Franco period to gain

B oth the Madrid government and the regional authorities say that even under the more flexible conditions of Spain's newly-revised labour legislation Gillette lacks legal grounds for seeking redundancies through the normal procedures. Gillette's only option for achieving its plan is a negotiated deal for paying off its workers.

The labour reforms, aimed at remov ing disincentives to investment and job creation, will make it somewhat easter for companies to adjust their workforces, giving them more leeway to make reductions when necessary and speeding up the red tape involved.

But redundancy compensation costs remain well above those in most other European countries. Companies tend to offer the upper level of 45 days pay per year of service in order to avoid costly court cases.

To achieve previous reductions, Gillette has paid this amount, plus a bonus of Ptalm for every five years of service. But even so, it has had difficulty finding takers because of the scarcity of alternative jobs in southern Spain. Its closure plan is likely to be costlier still.



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EXPECT MORE FROM US.**

To a great extent the foreign institutions had turned bearish about Spain at the beginning of the year because they believed that the Banesto crisis, which prompted the intervention of the Bank of Spain, would send tremors through the financial system.

By a happy coincidence, domestic funds were able to take positions normally occupied by the foreigners because they were growing strongly and also because they were in the process of switching part of their fast growing investment portfolio from fixed income investment to equities.

A footnote to the history of the Spanish stock markets in the first half of 1994 would read that non-residents, who had traditionally been so opportune with their Bolsa investments, had for once missed their chance. By the time the Banesto-induced panic was over, thanks to a support operation which reflected great credit on Spain's financial institutions, the markets were down and it was too late to reap

The main market theme in the first half of this year is that the arrival, in large volumes, of domestic funds on to the Bolsa constituted a major development that both complemented and rivalled in importance the "mini-bang" that the Madrid market underwent in the late 1980s.

A large stock of Spanish funds is emerging that can be tapped by outsiders, says Tom Burns

Domestic volumes dominate

The Bolsa reforms ushered in a stock exchange regulator, securities houses to replace individual brokers and a continuous market. What the onset of funds has done is to broaden the market and to provide it with an acceptable domestic support base that had been lacking in the

But the sudden appearance of a domes tic funds-driven Bolsa has implications that go beyond the Spanish market's sed liquidity. The build up of funds increa through the big branch networks owned by the domestic banks and savings banks in Spain, together with the management of the funds by these institutions and their investment by the in-house brokers of the same banks and savings banks, forms an arguably incestuous relationship that might raise eyebrows in the City of Lon-

"Warburg's Securities has to be more competitive than any one else in order to get the business from Mercury Asset Manment," says a UK-trained executive at Madrid broking house. "That doesn't appen here.

Argentaria, the state-controlled banking corporation, for example, has been captur-ing a big slice of the public sector's pension funds. Is this because Argentaria is particularly good at managing funds or is the business merely oiled by the mutual



goodwill that exists in the old state company tie network?

The traditionally strong bonds between Spain's main financial institutions and domestic industry additionally begs the question of what sort of equity investments the in-house brokers are likely to

It would be surprising if funds many by investment units at Banco Santander and at Banco Bilbao Vizcaya, the two biggest players in the sector, as well as those managed by Banco Central Hispano, Argentaria and the other leading banks,

were not overweighted in the stocks controlled or favoured by those same institu-

No doubt over time a sophisticated market will emerge in which investors will demand, and get, greater transparency, will pick and choose their funds and will closely monitor their performance. For the present the big institutions have it all their own way as they aggressively cap-ture clients through their networks and channel the resulting funds into their

has picked up most of the big

domestic business that was

available in the first quarter

"It has the best people work-

of this year.

ment banking.

What is not in doubt, however, is the

potential impact of the domestic institu-tions as they flex their muscles in their own backyard. January and February. when the presence of foreign institutions in Spain was noticeable by its absence, provided a good indicator of what can hap pen when the home-side bulls are running. During those two months the volume traded on Madrid market increased by 122 per cent against January and February

Domestic funds invested an estimated Pta193bn in the Bolsa during January, a huge sum considering that the average daily volume during the 20 trading days that month was Pta42.2bn.

Two trends in Spain's fund industry have become evident in the past month. First, it has grown rapidly thanks to tax incentives and to strong marketing by the banking networks and also because recessionary periods spur the public to save in instruments that will earn them most.

Secondly, the accelerated drop in interest rates have undermined the traditional attraction in Spain exerted by fixed-interest investment in general and government paper in particular. Spanish fund managers, always extremely cautious about equi-ties, have begun to look at the Bolsa with an unprecedented enthusiasm.

During 1993 the total volume of mutual funds under management in Spain grew

from Pta6,627bn to Pta10,709bn, a rate of expansion that equalled the accumulated growth of domestic funds in the previous two years. Just as important as the growth was the changing investment trend. The CNMV, the Bolsa's regulatory commission estimates that in the course of last year the percentage of total funds invested in equities rose from little more than 3 per cent to more than 5 per cent.

This year the pattern is one of more of the same; larger funds and proportionally increased investment on the Bolsa.

I punca holds

F 5940m

ssue

he funds topped Pta12.00bn at the end of May and are forecast to total some Pta14,500bn at year's end. The CNMV estimates that by the end of this year the percentage of funds under management invested in equities could double last year's figure to represent between 8 per cent and 10 per cent. Ahorro Corporacion Financiera, the broking arm of a group of savings banks, believes the year end percentage on the Bolsa will be closer to 7 per cent.

There are two lessons that non-resident watchers of the Madrid market should learn. One is that the Bolsa, for all its volatility, looks to be a more mature stock exchange with a sounder liquidity than at any stage in the past. The other is that for the first time there is the makings of a serious volume of Spanish funds that can be tapped by outsiders.
The CNMV revealed in its annual report

this year that domestic funds had increased the weighting of foreign equities and foreign fixed income in their investment portfolios during 1993 from 2.2 per cent to 5.7 per cent.

Spain is attracting large amounts of capital investment from the EU

A flush of Euro-funds

A visitor who ventures out of the urban environments of a Madrid or a Barcelona and takes to the Spanish byways will soon come head on with the circular constellation on a blue background that denotes European Union-inspired

Anybody that is considering financial projects in Spain should first take aboard the fact that the country is a prime target for massive capital investment funds that, routed from Brussels, fall on the Spanish plain like manna from the

There is a growing business among those who match available funds with borrowers and there is also increasing expertise among those potential private sector investors who track the route blazed by Brussels'

At the begining of this

month the European commission approved structural funds worth Ecu26.3bn for Spain between 1995 and 1999.

This sum represented more than half the total structural funds approved for all the other 11 European Union members and it was more than double the funding that Spain's regions received between 1989

Given such Brussels largesse it is not surprising that Spain should also be the largest borrower from the Luxembourgbased European Investment

totalled Ecu4hn, a figure that was 44 per cent up on Spain's 1992 borrowing and which represented 22.6 per cent of the Ecul7.7on loans made by the Luxembourg institution to all of the EU members.

Sir Brian Unwin, EIB's chair-

ing facilities routed by the bank to Spain in 1993 represented the biggest ever loan total made available to an individual EU member in a single

The flush of Euro-funds into Spain is held up with pride by the Madrid government as a prize won by the negotiating skills of prime minister Felipe González in successive European summits and as a tribute to the Spanish contingent's ability to drive a hard bargain

There are some intelligent Last year EIB loans to Spain complaints being made about the Ecu flow, notably those that are voiced by economics Professor Pedro Schwartz of Madrid University, an acerbic deregulation lobbyist and member of that rare breed, the

Spanish Eurosceptic. Mr Schwartz likens the onset of funds to Faust's pact with ephistopheles and argues that the sudden arrival of a lot of structural funds to improve Spain's infrastructure will not

necessarily make Spain less A visitor to Spain cannot help noticing that while the Euro-financed highway schemes might have ensured quick journeys between the provincial capitals, they have also succeeded in by-passing largish towns between the

departure and destination Service industries in such towns used to earn a great deal of income from their proximity to the former national roads that the new beltways have

The less acceptable face of the EU's lavish funding to Spain is that it engenders a passive society. Because Europe is picking up the tabs for much of Spain's infrastructure, the Madrid government is able to "afford" an unemployment level of 34 per cent of the working population in Andalu-

The southern swathe of the country. Andalucia is the equivalent of Italy's Mezzio-giorno and it is also the chief political base of the ruling socialist party.
Some 80 per cent of Andalucia's jobless population is now

covered by unemployment ben-

Thirty years ago when there were no such unemployment benefits in General Franco's Spain, and long before structural funds had been thought of and the EIB created, Andalucia's jobless emigrated to work in the Common Market from where they sent home remittances, saved and eventually returned home to set up busi-

Whatever the political, economic and even moral arguments that might surround the sort of aid that the Madrid government receives, the fact is that Spain is an ideal recipient for such funds.

It is a big country by European standards and it a poor one by that same yardstick. Spain has reached an intermediate level of development that requires the sort of specialised capital investment that the provides and it has the political clout that carries weight when the share-out of the EU's structural funds is

Spanish officials have learnt the tricks of the borrowing trade and they have become adept at exploiting what in the EIB's case is a demand-driven

"The Spaniards are really looking for finance," an EIB official conceded.

There is also a great deal that requires financing in Spain. The Spanish recipients of the EIB loans range from small and medium-sized companies across the economic spectrum, to environmental initiatives, particularly in the water treatment sector which has major domestic deficiencies, and to the big infrastruc-ture projects that deal with road and railroad transporta-

tion and electric cabling. It is no less true that the EIB is well below the celling it has set itself for loans and has considerable room for providing eater financial assistance in the years ahead.

Loans this year to Spain, judging from those already signed and from those that are in the pipeline, are likely to be similar to 1993's record total.

s European economies A begin to recover and as governments across the continent launch privatisation programmes, US investment banks are ready to make strong Euro-related profits. In Spain, 1994 already appears to belong to Goldman Sachs for it

ing the Spanish patch," says a senior executive of a European merchant bank. "They are clever and they eat, sleep and dream Goldman." A review of the New York bank's progress suggests that its Spanish team

will not have space on its shelves to accommodate the tombstones it is accumulating. Success has inevitably bred modés group. criticism and envy. Goldman's

Spanish team is accused of being, on occasions, too aggressive in its pricing. European rivals also say Goldman is benefitting from an

unhealthy fascination for all things American in invest-There have been deals initiated by others that Goldman

way. "They have a technique of wriggling their way into a business," says a domestic The weight attached to US banks may be unwarranted on a domestic level - Spanish banks, with their huge retail

networks, are capable of delivering an impressive book -but it is justified by the growing trend in Spain towards international offerings dominated by a US tranche. In Spain Goldman has a track record with governmentcontrolled companies thanks to a trail-blazing 1987 listing

in New York that it co-ordinated for Telefonica, the telecommunications monopoly, and now it is making its mark on the private sector. In February Goldman Sachs acted as global co-ordinator to

Fomento de Contrucciones y Contratas (FCC), a leading and highly diversified construction company that made a \$350m equity offering, one of the largest to date by a private

domestic group.

The initial groundwork for the PCC offering had been conducted by Schroders and when Goldman took on the global co-ordinator mandate the New York bank was accused of aggressively pricing the con-struction group and blamed

MERCHANT BANKS

Goldman gets ready to harvest Spanish profits

for the offering's disappointing results outside Spain. There were similar fears over pricing when Goldman

worked its way on to an April \$280m equity offering by Continente, a hypermarket chain controlled by France's Pro-

The offering was co-ordinated by Société Générale and Continente brought Goldman on to the team as co-lead man-

electrical utility. Endesa on to the markets in ager in order to consolidate its 1989 partial privatisation

Goldman rejects criticism of aggressive pricing and points to the fast-growing Cortefiel retail clothing group as an example of its growing ability to manage smaller offerings for the private sector

Goldman rejects the aggre sive pricing criticism (FCC's share price has since recovered to the levels that Gold-man had set) and points to the fast-growing Cortefiel retail clothing group as an example of its increasing ability to manage smaller offerings for the private sector. Cortefiel, in which Goldman Sachs has a small shareholding, has hired the US bank to co-ordinate its long-awaited equity offering

within the next six months. The Cortefiel placement could net a comparatively modest \$88m but it should lead to business with similar family-controlled domestic groups in the retail fashion

Like other investment

owns a highly successful

banks, Goldman has its eyes on Inditex, a group which

and prior to May's equity offering, it had advised the utility on close to \$1bn worth of asset purchases from regional and small Spanish enerators. Goldman is now hoping to take on the year's other big public equity deal, the \$1.4bn to \$2.2bn offering by the Repsol oil and chemical

youth orientated high street

Goldman meanwhile

remains strong in its more

familiar territory of large

offerings by public groups. Last month the New York

bank co-ordinated a global

offering worth \$1.3bn by End-

esa, the large state-controlled

Goldman had already guided

chain called Zara.

Repsol, like Endesa, is a longstanding client of the New York bank. Goldman helped to take the oil group to the markets in 1988 in its first encounter with foreign institutions and it was its global co-ordinator in a second major Repsol international offering last

Goldman was also on familiar territory when in late April it advised Pedro Domecq, the Spanish-Mexican drinks group, on its \$1.1bn sell out to the UK's Allied Lyons. The

previous big drinks sector disposal in Spain, the 1990 takeover by Guinness of the domestic Cruzcampo beer group, also had Goldman

advising the Spanish seller.

Together with the traditional business, at least one interesting innovation ass taken place. Earlier this year Goldman arranged \$132m worth of financing for a Barce-lona city council hydraulic savices company that is branching into water treatment.

Finessing a loan structure that has been practised in the US and was being introduced for the first time in Europe the New York bank guaranteed the financing with the future water cannon that the company will impose on Bar-

celona consumers. Why is Goldman so far ahead in Spain? One reason is that it entered forcibly in the late 1980s when governmentcontrolled groups started tap ping the markets. Its Wall Street listing for Telefonica attracted solid clients such as Repsol and Endesa.

These relationships, with its analysis and distribution muscle and follow-up expertise extremely well. "Very few big deals are decided on fees, says a senior member of the

US bank's Spanish team. The existance of well established clients in what is essentially a recurring business is, however, only part of the Spain, has provided continuity by keeping the same close-knit team working together for more than five years.

It has also invested strongly in a "door-opener" in the shape of former junior economy minister Mr Guillermo de la Dehesa, the chief executive of Banco Pastor, who also serves on Goldman's advisory ard. A rival US bank, worried that it was slipping in Spain, recently sent one of its most experienced officers to Madrid with the mission of "finding a de la Dehesa".

Tom Burns

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BANCO

POPULAR

CONSOLIDATED **FIGURES** as of March 31, 1994 (Amounts in millions)

and Minority Interests Ptas. 265,179

Shareholders' Equity

•	(US \$ 1,928)
Customer Funds	Ptas. 2,196,1 (US \$ 15,969
Total Assets	Ptas. 2,857,3 (U\$ \$ 20,777
Loans and Discounts	Ptas. 1,729,3 (US \$ 12,575
Net Income for the 1st quarter	Ptas. 14,972 (US \$ 109)
Net Return on Average Equity (ROE)	23.33 %*
Net Return on Average Total Assets (ROA)	2.10 %*
Number of employees	11,961
Number of branches	1,787
* Annualized.	

Exchange rate at March 31, 1994: US \$ 1 = 137.525 ptas.

PROFILE: ARGENTARIA

In the limelight

In the game of Spanish banking, the players are waiting for the new arrival to make the next move. Argentaria - the group which came on to the scene three years ago, combining state banking operations and competing on an equal footing with the main private-sector banks was bitterly disappointed by its defeat in April in the bidding to take over Banesto and equip itself with a comprehensive branch network. It had done more than its rivals to try to

justify its participation in the Banesto auction Mr Luzón's vision is of a modern, controversial because innovative bank able to hold its own of the government's among the top Spanish groups role as Argentaria's majority shareholder. •

But it last in the contest, outbid by Banco Santander by a margin of almost 35 per cent. The finance ministry was anxious that the bank should not do a bad deal. For Francisco Luzón, Argentaria's chairman, the big constraint was the risk of losing credibility, less than a year after launching Argentaria on the stock markets. His team has since been reviewing the group's "strategic focus", keen to strengthen its international side but also to reinforce its retail network of 1,500 Spanish branches, adding perhaps a further 500.

Argentaria is the prominently displayed brand-name of the more prosaically entitled Corporación Bancaria de España. Set up in 1991 it has majority control of Banco Exterior de España, the large quoted bank which has traditionally been the channel for Spanish export

Under the reorganisation, Banco Exterior absorbed the state's Banco de Crédito Industrial. Other state interests brought into Argentaria were leading mortgage specialist, Banco Hipo-tecario; the post office savings bank, Caja Postal; and two institutions dedicated respectively to the food sector and local authorities Banco de Crédito Agricola and Banco de Crédito

The group has since established itself among the country's top banks with more than 500,000 shareholders and pre-tax profits rising 40 per cent over the past two years. Last year it made two share flotations in six months, both heavily oversubscribed, reducing the state's holding to just over 50 per cent and bringing in Pta296bn to

A third stage of privatisation is planned later this year or early in 1995. Mr Luzón's vision is of a modern, innovative bank able to hold its own among the top Spanish groups, with a state holding of 20-25 per cent, with 30 per cent of its business abroad and a strong presence in nearby markets of Portugal, southern France

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20th June,1994

BOSTON